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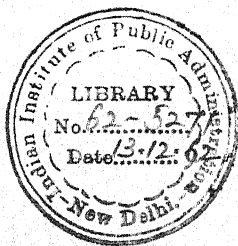
**INDUSTRIAL MANAGEMENT POOL :**

**AN ADMINISTRATIVE EXPERIMENT**

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NEW DELHI

November 1962



## FOREWORD

This study of the Industrial Management Pool, constituted by the Government of India in 1957 for the purpose of manning, to begin with, some of the positions in the economic enterprises in the public sector, was undertaken by Dr. H.K. Paranjape, on his own initiative, as worthy of examination in the course of his teaching the subject of public enterprises as well as his research into its different aspects. He has now completed the study and, in view of the importance of the subject as well as the scholarly manner in which Dr. Paranjape has approached it, the Institute is glad to publish it under its auspices without, however, accepting responsibility for the opinions expressed in it.

The great expansion of the public sector in India during recent years, especially in the context of planned economic development, has thrown up many important and urgent problems. The relations of the Secretariat with the enterprises, in respect of both organisation and procedure, the structure and legal status of the enterprises,—for example, in what circumstances is the autonomous corporation type preferable to the public company one?,—and the salaries and conditions of service of the technical personnel employed in them, when similar persons are employed also in the private sector,—these are only a few among many such problems. In this monograph Dr. Paranjape examines one of them, that of manning their managerial positions. It was perhaps inevitable that, in the early years of the expansion of the public sector, persons from the general line of the administration were appointed to such positions without intending to continue them more or less permanently in them; in fact, some of them returned to the general line for one reason or other. But this could not continue for long and it was necessary to develop expertise in persons holding such positions and organise the public enterprises in such a way that only persons qualified and trained for such jobs were appointed to them and that, once appointed, they could look towards a career in them instead of having to expect promotion elsewhere in government. This was the reason why the Industrial Management Pool was decided upon in 1956 and formally constituted in 1957. The initial recruitment, whether from among persons already in Government service or from outside, was to cover only 200 posts in seven grades; actually 212 persons were selected and out of these only 131 joined their posts.

As Dr. Paranjape has pointed out, the public sector industries in India differ in one important respect from those in

countries like Great Britain or France. In the latter they were enterprises which were originally organised and developed under private auspices and were then nationalised for one reason or other. In India the large majority of public enterprises have been set up by government from their inception; the case of the internal airlines, at first private companies, later nationalised, is an example of the exceptional type. The problem of finding suitable persons for managerial (and even other) positions has, therefore, been unique in India.

Dr. Paranjape has examined the working of the system since it was implemented. Everyone may not agree with his conclusions; but they are the result of much study and thought. It is, however, important to note that what he suggests is not the abolition of the Pool in the full sense of the term; it is rather its conversion into a number of panels for the higher positions. Dr. Paranjape is against a public management service. But he is also not in favour of complete freedom for each enterprise in respect of recruitment. The intermediate position which he recommends is argued in detail and deserves consideration. It is for this reason, and not because the Institute necessarily agrees with him, that it is publishing the monograph under its auspices.

V. K. N. MENON  
*Director*

*The Indian Institute of Public Administration*  
New Delhi, November 12, 1962

## ACKNOWLEDGEMENTS

I am grateful to the Government of India, Ministry of Home Affairs, for their co-operation in the conduct of this study. Without such co-operation, it would have been difficult to undertake such a study. Among the officers of the Ministry, I may specially mention my gratitude to Shri L.P. Singh, Shri M. Gopal Menon, Shri M.G. Pimputkar and Smt. K. Chatterjee. Shri L.P. Singh took personal interest in the conduct of this study from its very beginning. My discussions with him and his comments on the study at its various stages have benefited me considerably.

Shri S.S. Khera, Prof. V.K.N. Menon, Prof. W.S. Sayre, Shri P.L. Tandon, Shri Tarlok Singh and Shri R.N. Vasudeva were kind enough to go through the draft of the study and give me their comments. A draft of the study was used as a basic discussion paper at a Conference on this subject which was organised by the Institute on August 31, 1962. I received valuable comments and suggestions in the discussion at this Conference from Shri Vishnu Sahay, who presided, and many other participants. I am grateful to all these persons for their advice and comments.

The burden of going through a large mass of data and preparing the statistical tables was ably and willingly borne by Shri L. Venkatesan, my research assistant, during most of the period of this study. Shri A.D. Pillai, Research Scholar at the Indian School of Public Administration, also assisted me in the later period of this study. I am thankful to them both for their assistance.

I should add that the responsibility for the analysis presented and conclusions reached is entirely mine. The opinions expressed should not be taken to be necessarily accepted by any of the persons who were kind enough to help me (as a matter of fact, I know that some of them do not agree with me in at least some of my conclusions) or by the Government of India which provided me some of the data required for the study.

H. K. PARANJPE

October 15, 1962

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## INTRODUCTION

The problem of managerial personnel for public sector undertakings has been engaging public attention in India for more than ten years. The problem has been of special importance because of the rapid expansion of the public sector and the vital importance of public sector undertakings in the economic growth of the country. As a result of various suggestions that had been put forward by a number of authorities, the Government of India decided, in 1956, to set up the Industrial Management Pool and the Pool was formally constituted in 1957.

The experiment of the Pool aroused a great deal of interest both in India and abroad. In no other democratic country has any such common cadre or service been organised for manning the managerial posts in public sector undertakings. The public sector in India has been different from that in countries like the U.K. or France in one vital respect. In most cases, public sector undertakings in India were new undertakings set up in the public sector from their inception. In the countries mentioned earlier, most of the important public sector undertakings had developed originally under private ownership and management and the growth of the public sector had taken place mainly through the process of nationalisation. The problem of finding suitable personnel for public sector undertakings is therefore in some respects rather unique in the case of India. Moreover, as the pattern of economic growth adopted in India has aroused world-wide interest, it was inevitable that the management of public sector enterprises should also be the subject of attention. There is therefore considerable interest among students of administration and management everywhere about the manner in which the I.M.P. experiment has worked.

This study makes an attempt to examine this experiment as it has worked up to now and also to discuss the policy that should be followed in the future to meet the needs of managerial personnel in the public sector undertakings in India. Part I of the study provides some basic information about the Pool, its genesis and structure and the main



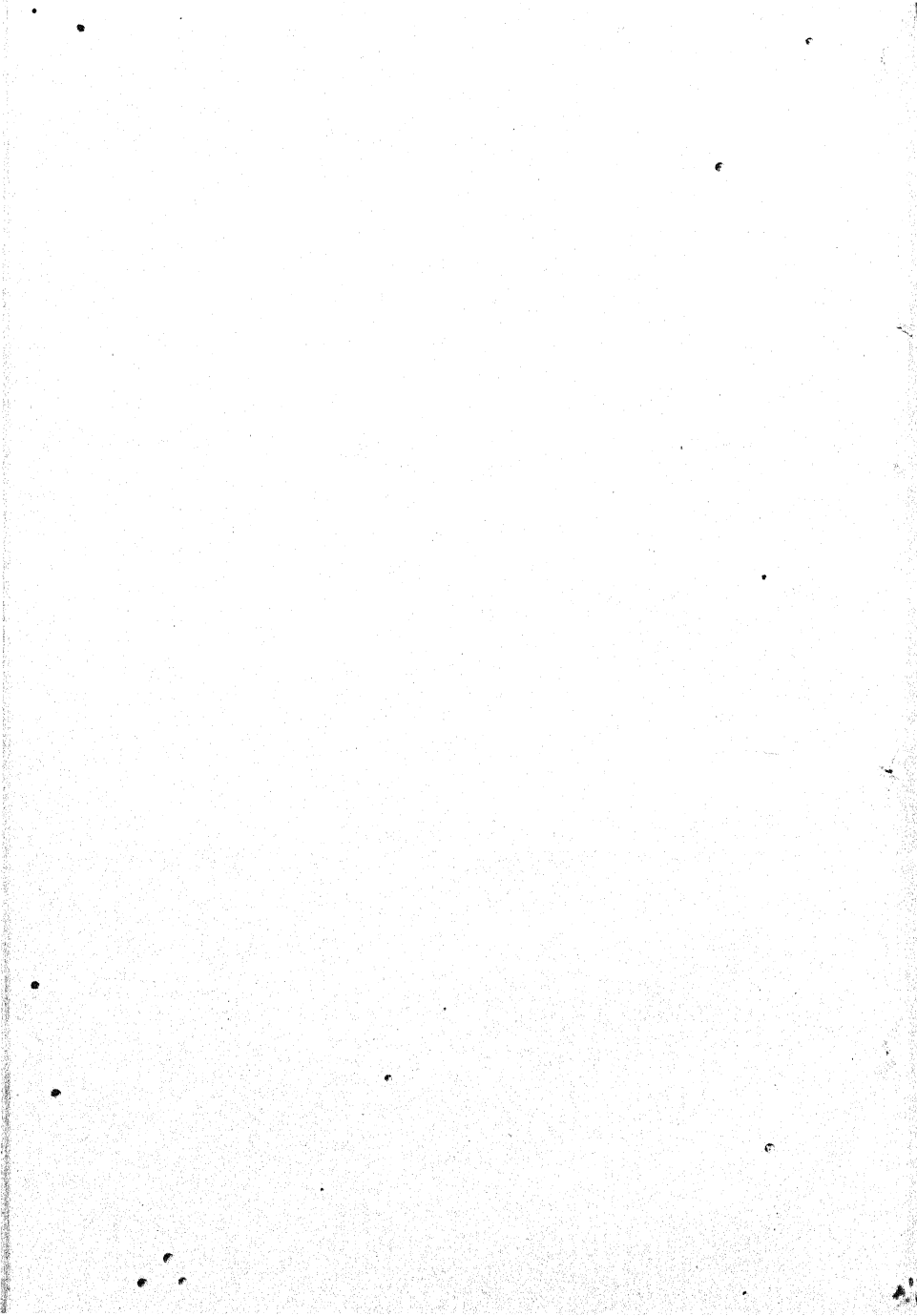
features of the scheme. An analysis of the candidates selected for appointment to the Pool is provided and some problems in the actual working of the scheme discussed. In Part II, certain general problems about the approach to management and managerial personnel are discussed with special reference to public sector undertakings in India and this is followed by some recommendations for future policy.

It may be useful at this stage to mention some of the limitations of this study. Data were available to us only about the candidates who were selected and recommended for appointment and not about the others who were not selected. Moreover, even these data are based on the information provided to the selection board by the candidates. No data about candidates could be specially collected for this study.

As regards the actual operation of the scheme, the period during which it has been in active operation has been too short for much material about this to be available. For obvious reasons, we could not get access to data about the post-appointment records of individual officers. Therefore, for this part of the study, we have had to rely mainly on interviews with various persons—officers of the Pool, other persons working in public sector enterprises at various levels, and officers connected with the administration of the scheme in the various ministries of the Government of India. The conduct of the present study was in this respect considerably assisted by another study on which the author was engaged simultaneously. This was “A Study of the Flight of Technical Personnel and Related Problems Affecting Public Undertakings”. As this latter study was prepared specifically on a suggestion made by Government, discussions were easier to organise and conduct, and these provided useful information for the present study also.

A part of the ground covered in these two studies being common, we have dealt rather briefly with some of the problems discussed in Part II of this study. A somewhat more detailed discussion of these problems will be found in the report on the other study which has been submitted to Government and which may be expected to be published in the near future.

## PART ONE



## I. THE EVOLUTION OF THE IDEA OF THE INDUSTRIAL MANAGEMENT POOL

### *Shri Gorwala's Report :*

(1.1) In 1951, Shri A.D. Gorwala prepared two reports for the Planning Commission, one on Public Administration and the other on the Efficient Conduct of State Enterprises.<sup>1</sup> At that time the case for an Economic Civil Service was often discussed. This service was mentioned as a solution to the problem of securing personnel for quite different functions such as, (i) advising government on problems of economic policy, (ii) at a lower level, collecting and presenting relevant economic data, (iii) carrying out certain secretariat and executive duties where a knowledge of economics was desirable, and (iv) manning of managerial posts in State enterprises. Shri Gorwala discussed this question in his report on Public Administration and concluded that there was no case for a single Economic Civil Service for these varied jobs. He pointed out the importance of having a certain number of men in Government service who could assume the overall management of a concern and run it without difficulty. He made a distinction between a technical expert and a manager in charge of a concern and pointed out that while for the former, training in the particular industry and long experience in it were necessary, for the latter, what was really needed was the special technique of a skilled administrator. The multipurpose civil servants could satisfy this need provided they had a grounding in Economics during the earlier years of service and were seconded to industrial concerns from time to time during the middle years.

(1.2) Shri Gorwala considered this problem further in his report on "The Efficient Conduct of State Enterprises".

1. The two reports are : (i) Gorwala, A.D., *Report on Public Administration*, New Delhi, Government of India, Planning Commission, 1951; (ii) Gorwala, A.D., *Report on the Efficient Conduct of State Enterprises*, New Delhi, Government of India, Planning Commission, 1951.

He pointed out that it would be necessary to select suitable men, managerial and technical, depending on the number of posts available and likely to be available. "In view of the large expansion of government responsibility in this field," he suggested, "on the management side there might be immediate recruitment of three categories. In the age-group of 40-50, suitable men might be recruited from government or existing concerns for immediate appointment as general managers and assistant general managers. To replace them in due course and provide stand-bys, another batch in the age-group of 30-40 might also be taken up from the same sources and trained for a few years, doing less responsible work at the same time. The ultimate basic material will however be provided by taking in men with good general education between the ages of 20-25."<sup>2</sup> The last category was to have a bias towards economic and business matters. They were to be provided training in good firms in matters like production and sale methods. Thus, in the immediate short run, the problem could be met by recruiting experienced personnel from the government and the private sector. In the long run, the solution lay in recruiting young men and giving them adequate training. Shri Gorwala did not clarify whether the selected officers should form a special cadre or not.

### *The First Plan :*

(1.3) In the First Five Year Plan, it was pointed out that as the functions of Government expand, it would be necessary to supplement the existing arrangements to provide for additional personnel. Personnel for managing industrial enterprises belonging to the Central and State Governments was mentioned as one of the categories in which this was to be done. It was also pointed out that proposals for constituting an industrial management cadre were under consideration of Government. The details regarding the idea were, however, not mentioned in the Plan.<sup>3</sup>

2. A.D. Gorwala, *op. cit.*, p.24.

3. Government of India, Planning Commission: *The First Five Year Plan*, New Delhi, Manager of Publications, Delhi, 1952, pp.119-20.

*The Estimates Committee :*

(1.4) The Estimates Committee of Parliament considered this question in its ninth and sixteenth reports. In its ninth report, the Committee observed: "There should be a cadre of capable men drawn from business, commerce, industry and trade who have given good account of themselves in the various spheres of activities and State Undertakings must be entrusted to them to be run on efficient business principles and practices."<sup>4</sup> The Committee was of the view that this cadre should be in the nature of an All-India Service and be designated as "Indian Commercial and Industrial Service".

(1.5) In its sixteenth report, the Estimates Committee referred to this question again. It asked for an early decision to be taken on the question of recruiting men experienced in business, commerce, etc. for management of State Undertakings. On the question of setting up the "Indian Commercial and Industrial Service", it said: "As the State Industrial Undertakings are being constituted in large numbers and fairly rapidly, the Committee consider that a decision should be taken by Government in this matter very early and that the recommendation should be implemented without further delay."<sup>5</sup>

(1.6) The Committee deprecated the tendency to secure men from the administrative services for manning State enterprises and said, "The experience so far gained in the State Undertakings already constituted, confirms the view of the Committee that the administrative services do not constitute a satisfactory source of recruitment of staff for the management of commercial enterprises of government."<sup>6</sup>

(1.7) The Committee suggested two methods of recruitment to the management cadre. Firstly, people with good record of business and commercial experience

<sup>4</sup> Estimates Committee, Ninth Report (1953-54) on *Administrative, Financial and other Reforms*, Lok Sabha Secretariat, New Delhi, May 1954, p.18.

<sup>5</sup> Estimates Committee, 16th Report (1954-55) on the *Organisation and Administration of Nationalised Industrial Undertakings*, Lok Sabha Secretariat, New Delhi, June 1955, p.6.

<sup>6</sup> *ibid.*

could be enlisted. Secondly, young men could be directly recruited through special recruitment boards and given specialised training in industrial management. In using the former method, some difficulty could arise due to the salary disparities between the public and private sectors. This could be avoided by fixing a ceiling on salaries in the private sector as the Committee had suggested in its ninth report. The Committee emphasized the need of adequate training for young men selected under the second method. Training could be given both within the country and abroad. Further, Government should also consider the possibility of recruiting people already trained or under such training abroad and, wherever necessary, see that their training was adapted to that purpose.

(1.8) In its reply to the Committee's recommendations contained in the ninth report, the Government said, "The question of making systematic arrangement for supply of persons with the requisite capacity and experience for the management of State enterprises is being carefully examined. It is, however, not yet possible to say whether this would take the form of an All-India Service. Meanwhile, it is neither practicable nor desirable to exclude altogether Government officers possessing requisite administrative experience."<sup>7</sup>

### *The Second Plan :*

(1.9) By the time the Second Plan was published, the Government had taken a policy decision in this matter: An Industrial Management Service, for staffing State Enterprises under the Ministries of Production, Transport, Communications, Iron and Steel, and Commerce and Industry, was to be set up. The Planning Commission referred to this decision and further pointed out, "The service is intended to provide managerial personnel for industrial undertakings needed, for instance, for general management, finance and accounts (except top level posts), sales, purchases, stores, transportation, personnel management and

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7. Estimates Committee, 57th Report (1956-57) on the *Action Taken by Government on the Recommendations Contained in the Ninth Report of the Estimates Committee*, Lok Sabha Secretariat, New Delhi, March 1957, p.51.

welfare, town administration, etc.”<sup>8</sup> The recruitment to the service would be made from within the public services as well as from outside. At lower levels, arrangements were to be made for the purpose of training personnel who would be able to assume higher responsibilities at a later stage. The Home Ministry was to be the controlling authority for this service. A Board, consisting of the Cabinet Secretary and representatives of the Ministries concerned, was to advise the Home Ministry in respect of the service.

(1.10) The Planning Commission recommended that public enterprises should be required to recruit extra personnel against supernumerary posts at lower levels. This was to be done in anticipation of the long-term needs of the expanding public sector. The Industrial Management Service was also expected to be able to provide higher grade personnel for the industries departments in the States, whose operations in the field of various types of industries were expected steadily to increase. Lastly, it was mentioned that a proposal to set up a technical cadre or cadres to man certain categories of technical and specialised posts in State Enterprises was also under consideration.<sup>9</sup>

#### *Control Over the Proposed Service :*

(1.11) At an earlier stage of the discussion regarding the proposed service it had been suggested that the service should be under the control of the Ministry of Production which was at that time in charge of most of the new public undertakings. Alternatively it had been suggested that it

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8. Government of India, Planning Commission, *The Second Five Year Plan*, New Delhi, Manager of Publications, Delhi, 1956, p.136.

9. *ibid.*, p.137. It may be noted that Paul H. Appleby did not discuss this matter in his two reports on India's Administrative System. In his second report, namely, *Re-examination of India's Administrative System with Special Reference to the Administration of Government's Industrial and Commercial Enterprises*, he had only said, "Time is wasted in arguments over whether managing directors should be found in the private sector or in the civil service, when agreement should be easy on the necessity of getting the ablest men available, wherever they are, and on the general principle that the ablest general administrators and those most attuned to public responsibility now will generally, but not always, be civil servants." Paul H. Appleby, *Re-examination of India's Administrative System with Special Reference to the Administration of Government's Industrial and Commercial Enterprises*, Cabinet Secretariat (O & M Division), Delhi, 1956, p.36.



should be controlled by a board consisting of representatives of the participating enterprises or, failing that, of the participating ministries. But other counsels prevailed and it was decided that this service, like all other civil services under Government, should be under the control of the Ministry of Home Affairs, though it was also decided that there should be an advisory committee consisting of the representatives of the participating ministries.

## II. THE MAIN FEATURES OF THE SCHEME

### *Organisation :*

(2.1) The Government of India issued orders on the 12th November, 1957, constituting the Industrial Management Pool.<sup>10</sup> The aim of the scheme was to build up a pool of officers with industrial or managerial experience for manning different management posts in public enterprises. By drawing upon the Pool, the industrial undertakings functioning under various ministries could meet their needs for managerial personnel. To start with, the Ministries of Steel, Mines and Fuel, Transport and Communications; and Commerce and Industry were to participate in the Pool. Any other ministry, with industrial undertakings functioning under it, could join the scheme with the concurrence of the Controlling Authority of the Pool.

(2.2) The Controlling Authority of the Pool is the Home Ministry. A Board with the Cabinet Secretary as Chairman and five members representing the participating ministries tenders advice to the Home Ministry on all matters relating to the Pool. The Establishment Officer of the Government of India is the Secretary of the Board.

### *Posting of Pool Officers :*

(2.3) Senior management posts of a non-technical nature in the public enterprises were expected to be filled by drawing upon the Pool. These posts may be in different fields of management such as general management, finance and accounts, sales, purchase, transportation, personnel management and welfare and town administration. No post is reserved for members of the Pool; officers of the Pool are only available for posting to non-technical positions in such public enterprises as express a desire to have them.

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10. Ministry of Home Affairs (Office of the Establishment Officer) Resolution No. F. 21(12) E.O./56, dated the 12th November, 1957.

(2.4) The Controlling Authority makes arrangements for the posting of officers after their training. While so posted, the officers are paid by and are under the immediate control of the undertakings in which they are working. To facilitate posting arrangements, participating undertakings are expected to report to the Controlling Authority all existing or prospective vacancies which may be suitably held by members of the Pool.

(2.5) Two questions related to each other regarding the obligations of the participating ministries and the Controlling Authority arise: first, whether it is obligatory on the participating undertakings to accept a member of the Pool for a particular vacancy; secondly, whether the Controlling Authority is bound to supply a Pool officer for every such vacancy. In neither case is there any such obligation. The Resolution establishing the scheme has, in very clear terms, said, "...it will not be obligatory on them (the undertakings) to accept a member of the service for a particular vacancy; nor will the Controlling Authority be bound to supply a Pool officer for every such vacancy."

(2.6) A Pool officer can be posted on deputation to different posts as and when necessary. He may be posted either for the purpose of acquiring wider experience or for other reasons to a post normally tenable by a member of the Central Administrative Pool of the Government of India. So also, officers of the Central Administrative Pool and other officers in the feeder services may be sent on deputation to posts normally tenable by the members of the Pool.

#### *Grades and Increments :*

(2.7) The Pool has been organised in seven regular grades and one junior grade on the scales of pay shown below:

Grade I	Rs. 2,750 (fixed).
Grade II	Rs. 2,500 (fixed).
Grade III	Rs. 2,000-125-2,250.
Grade IV	Rs. 1,600-100-2,000.

Grade V	Rs. 1,300-60-1,600.
Grade VI	Rs. 1,000-50-1,400. (Revised Rs. 1,100-50-1,400).
Grade VII	Rs. 600-40-1,000. (Revised Rs. 700-40-1,100-50/2-1,150).
Junior Grade	Rs. 350-25-500-30-620. (Revised Rs. 400-25-500-30-710). <sup>11</sup>

All officers of the Pool are treated as belonging to Central Services (Class I). The Junior Grade is provided for officers below 27 years in age recruited in 'exceptional circumstances'.

(2.8) Earning an increment even within a particular grade is not automatic. There has to be a positive decision each time that an officer is fit to draw the increment. This decision is taken by the Board of Directors of the Company or Corporation under whom the officer is employed. Until recently, this decision was subject to confirmation by the Controlling Authority on the advice of the Advisory Board. But as from August 1961, this latter provision has been omitted so that the decision now rests entirely with the undertaking under whom the officer is working.

(2.9) It has been decided that there is to be no order of seniority within a grade. This being so, all officers in a grade are equally eligible for promotion by selection to the next higher grade.

(2.10) Every officer of the Pool, wherever he may be employed, receives pay which is not less than his substantive grade pay in the Pool. Only in exceptional circumstances, and with the concurrence of the Controlling Authority and the Financial Adviser of the enterprise, will an officer be employed in a post which is normally filled by an officer of a lower grade. Also, if in the enterprise which an officer is for the time being serving, the pay of the post which he

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11. Scales revised after the Report of the Second Pay Commission. (Government of India, *Report of the Commission of Enquiry on Emoluments and Conditions of Service of Central Government Employees*, New Delhi, Manager of Publications, Delhi, 1959.)

holds is higher than his grade pay, the Controlling Authority decides whether he should be allowed to draw any or all of the difference.

(2.11) Leave, pension and other conditions of service are the same as are applicable to officers of Central Class I Services. As for persons appointed on contract, the terms and conditions of service can be modified if necessary and this will be specified in the contract.

(2.12) The officers newly recruited to the Pool are on probation for a period of two years. The probation period can be extended or reduced in each case by the Controlling Authority. Where necessary, the Controlling Authority is to arrange for the training of Pool officers in Government Departments and in industrial and commercial enterprises either in the public sector or in the private sector. Officers belonging to the All-India Services may be permanently seconded to the Pool after the probationary period; if they belong to the Central or State Services, they may be either permanently seconded or permanently absorbed in the Pool.

*Recruitment :*

(2.13) The following qualifications were laid down for recruitment to the Pool:

- (a) education—  
a degree of a recognised Indian university or equivalent thereto;
- (b) age—  
between 27 and 45 years; and
- (c) experience—  
preferably industrial or managerial experience for a period of five years.

Exceptions to this rule were allowed to be made in two circumstances. Firstly, candidates below the age of 27 could, in exceptional circumstances, be recruited. Such candidates on appointment draw pay in the Junior Grade. Secondly, persons above the age of 45, if specially suitable, could be employed on long-term contract.

(2.14) Four sources of recruitment were envisaged: (i) officers of the All-India and Central Class I Services (including Railway and Defence Services); (ii) State Government employees of similar status and experience; (iii) experienced officers from existing public undertakings; and (iv) candidates from the open market.

(2.15) A Special Recruitment Board was to be in charge of recruitment of candidates to the Pool. This Board was to consist of the Chairman or a Member of the Union Public Service Commission as Chairman, a non-official member, two Managing Directors or General Managers of State Undertakings and two representatives of the participating ministries other than those represented by Managing Directors and General Managers.

(2.16) It was also provided that recruitment need not necessarily be restricted to candidates who apply for absorption in the Pool in response to advertisements. Persons who may not have applied but whose names have been suggested to the Recruitment Board by the participating ministries could also be considered for selection to the Pool. Recruitment against annual intake as well as against deficiencies which may exist in the cadre either on account of an increase in the authorised strength or otherwise is also to be carried out on the same lines as for initial recruitment.

### *Why 'Pool' and not 'Service'?*

(2.17) One important question that can be raised about the scheme is: why was it decided to constitute a 'pool' of officers instead of organising a regular 'service' as had been indicated in the Second Plan? The thinking behind this decision seems to have been as follows: A 'service' is usually constituted for manning a specified group of posts within a well defined field of activity and such posts are then generally filled only from among the members of the service. It was not the intention of Government that any posts in public undertakings should be specially reserved for officers selected under the I.M.P. scheme. The creation of a regular cadre for filling all non-technical posts in higher grades

in public undertakings and the subsequent reservation of these posts was not acceptable to the managements of public undertakings as, in their opinion, it would have seriously restricted the functional autonomy of the undertakings. The basic approach in the scheme therefore was not so much to reserve posts for a particular cadre as to make available a group of experienced managerial officers for the rapidly growing public enterprises which badly needed such officers. It was also probably felt that a 'pool' would somehow avoid the traditions of older established 'services' in matters like the importance of seniority in promotions and at the same time make it possible for experienced officers to be made available to new undertakings without too much difficulty.

### *Strength of the Pool :*

(2.18) The Pool is therefore only a source from which the enterprises, if they wish, can draw personnel for their managerial posts. But these posts are not reserved for Pool officers; they can also be available to officers directly recruited by the enterprises concerned. For this reason, the strength of the Pool was fixed at a level much below the total requirement for senior managerial posts in public undertakings. At the initial constitution, the authorised permanent strength had been fixed at 200. The scheme envisaged an annual intake at 5% of the authorised strength. The authorised strength itself was to be reviewed as often as found necessary, and in any case once in two years. The annual intake was also to be reviewed after two years of the initial constitution of the Pool. The total strength is distributed among the different grades by the Controlling Authority in consultation with the Ministry of Finance in the light of the estimated requirements of each grade, and on the recommendations of the Selection Committee as to the quality of persons available for each grade.

(2.19) Officers belonging to the Pool were expected to occupy superior grade posts which were of a non-technical (or rather, non-engineering) character. In addition to general management, the Pool was expected to include officers who could occupy posts involving functions

like accounting, financial control, labour welfare and personnel management, purchase and sales, stores, transportation and town administration. One difficulty in deciding the initial strength of the Pool was that some of these posts were already filled up in the existing undertakings. If a decision was to be made regarding the strength of the Pool on the basis of some precise estimate of requirements, it would have been necessary to enquire from the various undertakings—existing and prospective (in this latter case, the Ministries concerned might have had to be asked)—as to the number of officers that they would require and would accept from the Pool, and at what level and with what experience. It seems to have been felt that this process would take a very long time and that the requirement of personnel was so urgent that recruitment should be pushed ahead quickly on the basis of some rough estimate.

(2.20) The initial strength of the Pool was therefore somewhat arbitrarily fixed at 200 on the assumption that at least that number would be immediately required by public sector undertakings—existing as well as those that were coming up. It seems that no decision was made, either at that stage or at any stage before the recruitment process was completed by the Special Recruitment Board, as to how the initial strength was to be split between the different grades or between different types of experience.



### III. ANALYSIS OF SELECTED CANDIDATES

#### *Gradewise Distribution :*

(3.1) From over 15,000 candidates who applied for posts in the Industrial Management Pool, the Special Recruitment Board selected 212 and recommended them for appointment. The present position<sup>12</sup> regarding the absorption, distribution, etc. of these 212 candidates is shown in Table I. It will be seen from the figures given there that the process of appointing the candidates selected has been almost completed. It will also be seen that the proportion of candidates who rejected the offer made to them is very large. An important purpose of the statistical analysis presented here is to analyse the reasons why such a large proportion of persons rejected the offer and what impact this has had on the composition of the Pool.

(3.2) Table I indicates that the gradewise distribution of candidates recommended for appointment was such that almost a third of the candidates were recommended for the lowest grade, *i.e.*, Grade VII. (Only 2 were recommended for the junior or lower grade.) The gradewise proportion declines gradually from Grade VII to Grade IV; in Grade III, it declines sharply; the proportion of those placed in Grade II was very small—less than 2%, and no candidate was recommended for Grade I. Offers were made to most of the selected candidates in all grades; only in Grade IV was the proportion of candidates to whom an offer was not made as high as over 8%. The proportion of those who rejected the offer was also very high in Grade IV (48%). It was quite significant in Grades V (40%), VI (34%), and VII (24%). There were no rejections in Grade II and the Junior Grade. There were a few cases where the candidates were found unsuitable for appointment on medical and other grounds.

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12. As on 15th October, 1962. It should be noted that most of the other statistical data used in the analysis of selected candidates were collected in March-April 1961. Therefore the analysis should be taken to be mostly related to the position as it existed then. However, not many changes have taken place since.

TABLE I  
INDUSTRIAL MANAGEMENT POOL (as on October 15, 1962)

Grade	Number recommended by the Recruitment Board	Number to whom offers were sent	Number who accepted offer	Number appointed to I.M.P.	Number who rejected offer	Number of cases pending	Number who could not be appointed	Total	Cases of Death/Resignation/Reversion/Termination of service	Present grade-wise strength taking into account reversions etc. and promotions
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
I	0	...	...	...	...	...	...	...	...	0
II	4 (1.8)	4 (1.9)	4 (2.8)	4 (3.0)	0 (0.0)	0 (0.0)	0 (0.0)	4	1 (6.2)	4** (3.4)
III	9 (4.2)	9 (4.3)	8 (5.7)	6 (4.5)	1 (1.4)	0 (0.0)	2 (20.0)	9	0 (0.0)	5 (4.3)
IV	35 (16.5)	32 (15.4)	15 (10.8)	14 (10.6)	17 (24.6)	1 (50.0)	3 (30.0)	35	0 (0.0)	20 (17.3)
V	45 (21.2)	45 (21.7)	27 (19.5)	26 (19.8)	18 (26.0)	0 (0.0)	1 (10.0)	45	2 (12.5)	20 (17.3)
VI	50 (23.5)	48 (23.1)	31 (22.4)	31 (23.6)	17 (24.6)	1 (50.0)	1 (10.0)	50	6 (37.5)	28 (24.3)
VII	67 (31.6)	67 (32.3)	51 (36.9)	48 (35.6)	16 (23.1)	0 (0.0)	3 (30.0)	67	6 (37.5)	38 (33.0)
LG*	2 (0.9)	2 (0.9)	2 (1.4)	2 (1.5)	0 (0.0)	0 (0.0)	0 (0.0)	2	1 (6.2)	0 (0.0)
TOTAL	212 (100)	207 (100)	138 (100)	131 (100)	69 (100)	2 (100)	10 (100)	212	16 (100)	115 (100)

Note : Figures in brackets give columnwise percentages.  
\* Lower Grade.  
\*\* One officer is officiating in Grade I.



TABLE I-A

*Gradewise Per cent Proportions of Offers made,  
Offers rejected and Appointments made to Original  
Number Selected (=100)*

Grade	Offers made %	Offers rejected %	Appointments not made for special reasons %	Appointments made %
I	...	...	...	...
II	100	...	...	100
III	100	11.1	22.2	66.6
IV	91.4	48.5	8.6	40.0*
V	100	40.0	2.2	57.7
VI	96.0	34.0	2.0	62.0**
VII	100	23.8	4.4	71.6
LG	100	...	...	100

\*2.8% cases pending.

\*\*2.0% cases pending.

TABLE I-B

*Gradewise Per cent Proportions of Present strength  
to Original Number Appointed (=100)*

Grade	Present Strength %
I	...
II	100
III	83
IV	142
V	77
VI	90
VII	79
LG	0

(There are also a few cases still pending.) Thus out of the candidates recommended for appointment by the Recruitment Board, the proportion of those actually appointed was the lowest in Grade IV (40%); then follow Grades V (57%), VI (62%), III (66%), and VII (71%) in that order. In the highest (Grade II) and the lowest (Junior) grades, for which only a few candidates were recommended, all the selected candidates have been appointed.

(3.3) As a result, in the Pool as it was constituted initially, the proportion of officers in Grade IV was significantly smaller than in the list recommended—the decline is

from 16.5% in the selection list to 10.6% in the initial strength in the Pool—while in other Grades there is an increase, the increase being most marked in Grade VII—from 31.6% to 35.6%.

*Effect of Resignations, etc. :*

(3.4) Since the initial appointments were made, the composition of the Pool has undergone some changes as the result of a few officers leaving the Pool. There have also been some promotions. As a result, in the composition of the Pool as of now (October 1962), there is no officer in the Junior Grade, the proportion of officers in Grades VII, V and III has slightly declined, and that in Grades VI, IV and II has increased, the really significant increase being in Grade IV (from 10.68% to 17.3%). As compared to the original number appointed, the actual number of officers is now larger in Grade IV (20 as compared to 14), the same in Grade II, and smaller in Grades III, V, VI and VII. Resignations and reversions have been specially responsible for the decline in numbers in Grade VI (6 officers from this Grade have left the Pool). Both resignations and reversions (5 in all) and promotions to Grade VI (10) have been responsible for the decline in the number of officers in Grade VII. Out of the 2 officers recruited to the Lower Grade, one has been promoted to Grade VII and the services of the other have been terminated.

*Number of Cases Included in Analysis :*

(3.5) Of the 212 candidates recommended for appointment, detailed data became available to us only in respect of 200 candidates. In these cases also, data on certain points were not available about some of them. But, by and large, the following analysis is based on data about 200 of the 212 candidates recommended for appointment by the Recruitment Board.

(3.6) Out of these 200 cases, 128 accepted the offer of appointment made to them, 69 rejected it and there were 3 cases in which the offer was not ultimately accepted and the appointment was not made due to miscellaneous

reasons. These 3 cases have been treated as those of non-acceptance of the offer together with the 69 cases of definite rejection. Of the 128 candidates who accepted the offer, 123 were appointed to the Pool and the cases of the remaining 5 were still pending at the time we collected the data. Data for the two categories, viz., 'Accepted' and 'Not Accepted', have been separately presented in the following analysis.

*Age Composition: (Table II)*

(3.7) Of the selected candidates 55% were from the age-group 31 to 40, and 42.5% from the age-group 41 to 50. The number in the age-groups below 30 and above 50 was very small. The fact that few persons were selected from the age-group above 50 may not be considered surprising. Few really competent persons would be available for appointment through open competition when they are above 50. Those in Government and public enterprises who are good are likely to be in positions as good as any that they could expect in the I.M.P. Those who are employed in good private sector undertakings, and are really competent, would have probably found even the highest grade in the I.M.P. not remunerative enough. Only a few, who were disgruntled for personal reasons or were

TABLE II  
AGE GROUPS\*

<i>Age</i>	<i>Accepted</i>	<i>Not Accepted</i>	<i>Total</i>
Below 30	2	...	2
31—40	75	35	110
41—50	49	36	85
51—60	1	1	2
Total	127	72	199
Data Not Available	1	...	1
Grand Total	128	72	200

\*Age as in January 1960.

blocked in their advancement, could be expected to apply. It was inevitable therefore that not many would be selected

from the age-group above 50. The fact that not many persons were selected from the age-group below 30 is also not very surprising in view of the fact that the minimum age for selection was 27. What is however surprising is that the number was as small as it was—only 2 were below 30. It is true that the effectively lowest grade being Grade VII—Rs. 600-1,000—only persons with at least a few years' experience could be selected. But this grade is not so high that some more persons from this age-group should not have been in it.

(3.8) 64 persons in all were selected for Grade VII, while only 2 were selected from the age-group below 30; that is to say, 62 persons above the age of 30 were selected for Grade VII. It may be noted in this connection that an I.A.S. officer normally used to get the senior scale,—Rs. 800-1,800—, in his sixth year of service (or under), *i.e.*, approximately before the age of 29-30. In Central (Class I) services, an officer similarly used to get the senior scale, *viz.*, Rs. 600-1,150, usually in his sixth year of service.<sup>13</sup>

(3.9) It was obviously never intended that officers to be selected for the I.M.P. should be in any way inferior in quality to the Central Class I services. Probably, looking at the fact that they are supposed to man the managerial posts in public undertakings, their quality should be as good as the I.A.S.; and therefore, if persons of proper quality were available, such a large number of persons from the age-group 31-40 should not have been selected for Grade VII (Rs. 600-1,000). It is true that a few of them have been given a higher starting salary. But still it is surprising that such a large number of persons should have been selected for the I.M.P. who could only be given a salary lower than what a person of the same age gets in the I.A.S. or a Central Class I service. One wonders whether this meant that persons available for recruitment to the I.M.P. were not found to be of a high enough quality.

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13. Under the recently revised scales, an I.A.S. officer will receive the time-scale of Rs. 900-1,800 in his sixth year of service. An officer belonging to the Central Class I services will, in his sixth year of service, get Rs. 700 in the scale of Rs. 400-1,250.

(3.10) The proportion of 'not accepted' cases was about 32% in the 31-40 age-group, and about 42% in the 41-50 age-group. Among those who accepted the offer, about 59% were from the 31-40 age-group and about 38% from the 41-50 age-group. There was only one officer in the above-50 age-group and 2 were in the below-30 age-group.

*Educational Background: (Tables III and IIIA)*

(3.11) Out of the candidates selected, the largest single category was that of those with education in Engineering (20.9%); those with education in Commerce and Business Management (16.5%) stood next; and those with other kinds of educational background came in the following order: Science—14.8%; Accountancy—13.2%; Economics—9.3%, and Law—8.8%; 'other', i.e., mainly humanities, made up 16.5%. Of those selected, 25.6% had foreign educational qualifications of some kind. The proportion of those who had such foreign qualifications was specially significant in the case of candidates who were educated in engineering.<sup>14</sup>

(3.12) From among those who were selected, a large proportion (47.1%) of those with education in 'economics' rejected the offer. The proportion of rejections was only slightly less in the case of those with a background of education in accountancy (41.7%), science (40.7%) and engineering (39.5%). On the other hand, the proportion of candidates who rejected the offer was comparatively much smaller in the case of those who had studied law (18.7%), commerce

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14. It may be interesting to note that persons selected to the I.A.S. through the Emergency Recruitment Scheme (1947-49) and Special Selection Scheme (1955-57) had the following educational background:

- (i) Graduated with:
 

arts subjects	59.6%
science subjects	40.4%
- (ii) Foreign university education—  
29.1% of total.

(R.K. Trivedi and D.N. Rao—"Higher Civil Service in India, A Sample Survey", *Journal of the National Academy of Administration*, Mussoorie, Vol. VI, No.3, pp. 46 and 49.)



TABLE III  
EDUCATIONAL BACKGROUND<sup>1</sup>

Subject	Accepted			Not Accepted			Grand Total
	India	India and Abroad	Total	India	India and Abroad	Total	
Economics	5	4	9	8	...	8	17
Commerce and Business Management excluding Accountancy	16 <sup>a</sup>	7	23	2	5	7	30
Accountancy	14	...	14	9	1	10	24
Engineering	9	14	23 <sup>a</sup>	7	8	15	38
General Science	13	3	16	10	1	11	27
Law	13 <sup>4</sup>	...	13	2 <sup>7</sup>	1	3	16
Other	20 <sup>5</sup>	3 <sup>6</sup>	23	6	1	7	30
TOTAL	90	31	121	44	17	61	182
Data Not Available			7			11	18
GRAND TOTAL	90	31	128	44	17	72	200

1. The main educational background has been generally taken into account for this analysis. 2. One case—Mechanical Engineering also. 3. One case—Industrial Admn. also. 4. One case—M.A. Economics also. 5. One case—B.Sc. (Agriculture). 6. One case—M.P.A. also. 7. One case—M.A. Economics also.

TABLE III-A  
EDUCATIONAL BACKGROUND

Subject	Selected in each sub- ject as compared to total selected		'Accepted'—in each subject as compared to total—'accepted'		'Not accepted'—in each subject as com- pared to total— 'not accepted'		'Accepted' as com- pared to total select- ed, in each subject	
	%	%	%	%	%	%	%	%
Economics	9.3		7.4		13.1		52.9	
Commerce & Business Management etc.	16.5		19.1		11.5		76.7	
Accountancy	13.2		11.6		16.4		58.3	
Engineering	20.9		19.1		24.6		60.5	
General Science	14.8		13.2		18.0		59.3	
Law	8.8		10.8		4.9		81.3	
Other	16.5		19.1		11.5		76.7	
Total	100		100		100		...	

N. B. : Total cases taken into account 182: of these, 121 accepted the offer and 61 did not accept it. The respective percentages are approximately 66.4% and 33.5%. Only 182 cases have been included in this analysis, because data were available only about them.

and business management and 'other' subjects, *i.e.*, humanities, (23.3% each). This may perhaps indicate that many candidates with educational qualifications in professional subjects like accountancy and engineering, and also those who had studied general subjects like economics and science and who were considered qualified for selection, found that the offer made to them was not lucrative enough. Candidates with 'commerce and business management' education may have been rated higher by the Selection Board because it was a Management Pool for which they were recruiting persons and therefore they may have received offers which a large proportion of them thought it worth while to accept. Persons with education in law and humanities are probably not so much in demand as those who are qualified in accountancy and engineering and that may be the reason why the proportion of rejections was smaller in their case.

(3.13) As a result of this varying proportion of rejections, the educational background of the candidates who accepted appointments in the Pool was as follows:

	<i>Percentage</i>
(i) Engineering	19.1
(ii) Commerce and Business Management	19.1
(iii) Accountancy	11.6
(iv) Law	10.8
(v) Economics	7.4
(vi) General Science	13.2
(vii) Others	19.1

(3.14) Thus persons with education in some professional field directly related to the technical, financial, accounting or management aspects of industry [(i) to (iii) above] have provided about half of the officers in the Pool. Perhaps those with education in law (10.8%), and Economics (7.4%) should also be included in this category. The remaining (about one-third) come from a background of studies in subjects which have no direct bearing on the working of industrial and commercial enterprises. Of course this is

not to say that they cannot provide a good source of potential managerial talent.

*Previous Experience : (Tables IV, IV-A, V & V-A)*

(3.15) Out of the candidates selected, 123 (62.1%) had experience of management in either the public or the private sector. 64 (32.3%) were selected from Government service out of whom 28 had experience of some work like finance, audit and accounts or industries and supplies which could be expected to be directly useful for industrial management work. 36, presumably, had only general administrative experience. Only 11 persons (5.5%) with a background of technical work-experience were selected.

(3.16) It is noteworthy that though only a few persons with a background of technical work were selected, the proportion of those who rejected the offer was small—only 3 out of 11 (27%). 28.4% of those selected candidates who had experience of business management declined the offer; it should be noted that the proportion of non-acceptance was far higher (41.4%) among those who were already in managerial jobs in public enterprises than among those who were in managerial jobs in private undertakings (21.9%). 50% of Government servants who were selected declined the offer. In this the proportion of non-acceptance was higher (55.5%) among Government servants who were not working in any jobs which had some bearing on industrial management than among those who were working in Finance, Audit and Accounts, Industries and Supplies (42.8%). It is curious that no officer selected from Finance departments accepted the offer while all officers selected from Supplies departments accepted it. Among those selected, 19 belonged to the I.A.S. Of these, 16 (84.2%) rejected the offer.

(3.17) Thus the background of the officers who joined the Pool shows a very large proportion of persons with managerial experience in public or private undertakings (88 out of 128, i.e., 68.6%). 32 (25%) come from Government departments, 16 from Audit and Accounts, Industries and Supplies, and 16 from other Government departments. Only 8 (6.2%) have a background of technical experience.

(3.18) A further analysis of the persons who rejected the offer of appointment (Table V) shows that a large proportion of them (56.5%) had experience of general

TABLE IV  
PREVIOUS EXPERIENCE\*

<i>Nature of Experience</i>	<i>Accepted</i>	<i>Not Accepted</i>	<i>Total</i>
Government Administration:			
Finance	...	5	5
Audit & Accounts	4	2	6
Industries	6	5	11
Supplies	6	...	6
Other Departments	16	20	36
<b>TOTAL</b>	<b>32</b>	<b>32</b>	<b>64</b>
Public Enterprise Management	24	17	41
Private Enterprise Management	64	18	82
Technical Work in Government or Public Enterprise	5	2	7
Technical Work in Private Enterprise	3	1	4
Data Not Available	...	2	2
<b>GRAND TOTAL</b>	<b>128**</b>	<b>72***</b>	<b>200</b>

\*Based on the occupation of the candidate at the time his case was considered by the Recruitment Board.

\*\*Of these 128, three are in the I.A.S.

\*\*\*Of these 72, 16 are in the I.A.S.

TABLE IV-A  
PREVIOUS EXPERIENCE—PERCENTAGE ANALYSIS

<i>Nature of Experience</i>	(1)	(2)	(3)	(4)
Government Administration	50.0	25.0	45.7	32.3
Public Enterprise Management	58.5	18.7	24.2	20.7
Private Enterprise Management	78.0	50.0	25.7	41.4
Technical Work : Government or Public Enterprise	71.4	3.9	2.8	3.5
Technical Work : Private Enterprise	75.0	2.3	1.4	2.0
<b>TOTAL</b>	<b>64</b>	<b>100</b>	<b>100*</b>	<b>100**</b>

\*Percentage of 70; data for two cases not available.

\*\*Percentage of 198; data for two cases not available.

1. Candidates who 'accepted' the offer, compared to total number selected from each category. (Per cent.)

2. Candidates from each category who accepted the offer, compared to total number who accepted the offer. (Per cent.)

3. Candidates from each category who did not accept the offer, compared to total number who did not accept the offer. (Per cent.)

4. Candidates selected from each category, compared to total number selected. (Per cent.)

TABLE V  
CLASSIFICATION OF PREVIOUS POSITIONS  
HELD BY 'NOT ACCEPTED' CASES

Nature of work	Grades Offered						Total
	II	III	IV	V	VI	VII	
General Management and Administration	...	...	10	14	7	8	39
Development & Planning	...	...	...	...	...	...	...
Accounts, Finance and Internal Audit	...	...	4	1	2*	9**	16
Labour and Personnel	...	...	...	1	1	...	2
Stores, Purchase and Sales	...	...	...	...	2	1	3
Industrial Engineering and Production Organisation	...	...	1	...	1	...	2
Works Management and Other Engineering Work	...	...	1	...	2	...	3
Public Relations	...	...	...	...	...	...	...
Transport	...	...	...	...	1	...	1
Township, Housing, Estate, etc.	...	...	...	...	1	...	1
Miscellaneous	...	1***	...	...	...	1****	2
TOTAL	...	1	16	16	17	19	69
Data Not Available	...	...	...	1	2	...	3
GRAND TOTAL	...	1	16	17	19	19	72

\*One case—Secretary also.

\*\*One case—Asstt. Manager also.

\*\*\*G.O.C.—Army.

\*\*\*\*Ex-Naval Officer.

TABLE V-A  
CLASSIFICATION OF POSITIONS PREVIOUSLY HELD  
BY 'NOT ACCEPTED' CASES—PERSONS COMING FROM  
PRIVATE SECTOR AND PUBLIC SECTOR  
UNDERTAKINGS ONLY

Nature of Work	Grades Offered						Total
	II	III	IV	V	VI	VII	
General Management	...	...	4	7	2	5	18
Development and Planning	...	...	...	...	...	...	...
Accounts, Finance and Internal Audit	...	...	2	1	1*	5**	9
Labour and Personnel	...	...	...	1	1	...	2
Sales, Stores and Purchase	...	...	...	...	2	1	3
Industrial Engineering and Production Organisation	...	...	1	...	1	...	2
Works Management and Other Engineering Work	...	...	1	...	2	...	3
Public Relations	...	...	...	...	...	...	...
Transport	...	...	...	...	...	...	...
Township, Housing, Estate, etc.	...	...	...	...	...	...	...
TOTAL	...	...	8	9	9	11	37
Data Not Available	...	...	...	...	1	...	1
GRAND TOTAL	...	...	8	9	10	11	38

\*Secretary also.

\*\* One case—Asstt. Manager also.

management and administration. A large proportion among them (61.5% of this category and 34.7% of all 'not accepted' cases) rejected the offer even though they were proposed to be appointed to Grades IV and V. Another significant group (23%) among the persons who rejected the offer consists of those with experience in accounts, finance, etc. These two groups together constitute about 80% of those who rejected the offer. A special case is one of a senior army officer who refused the offer in spite of his being offered a post in Grade III.

(3.19) Taking into consideration only those persons in the 'not accepted' category who were working in private sector or public sector business undertakings (Table V-A), it is significant that all such cases belong to Grades IV to VII. No person with this background who was offered Grade II or III rejected it. Thus it seems probable that the rejections were due largely to the dissatisfaction with the grade and pay offered. In this category of candidates also, the largest proportion belongs to persons with experience of general management (48%) and accounts, finance, etc. (24%). It is thus obvious that among the persons who did not choose to join the Pool were a number of candidates who had experience which would have been very valuable to public sector industries and who would therefore have been a very useful addition to the Pool.

*Previous Salary : (Tables VI & VI-A)*

(3.20) The analysis in Table VI shows that 54 persons were offered higher pay than they were getting at the time of application, 109 persons were offered approximately the same pay, and 24 were offered less pay.

<i>Offer</i>	<i>Accepted</i>	<i>Not accepted</i>	<i>Total</i>
Higher pay	37	17	54
Approximately same pay	69	40	109
Lower pay	13	11	24
Total	119	68	187

The fact that as many as 57 persons who were offered posts in the I.M.P. on almost the same or a higher pay rejected the offer is rather surprising. This suggests that

TABLE VI  
PREVIOUS SALARY

Grades	Salary Groups	Accepted										Not Accepted										Total of 'Accepted' and 'Not Accepted'									
		Rs. 2501 and over	Rs. 2001- 2500	Rs. 1601- 2000	Rs. 1001- 1600	Rs. 601- 1000	Rs. 600 and below	Total	Rs. 2501 and over	Rs. 2001- 2500	Rs. 1601- 2000	Rs. 1001- 1600	Rs. 601- 1000	Rs. 600 and below	Total	Rs. 2501 and over	Rs. 2001- 2500	Rs. 1601- 2000	Rs. 1001- 1600	Rs. 601- 1000	Rs. 600 and below	Total									
II	(2500	...	1	2	...	...	...	3	...	...	...	...	...	...	...	...	1	2	...	...	...	3									
III	(2000-2250)	1	2	3	...	...	...	6	1	...	...	...	...	...	1	2	2	3	...	...	...	7									
IV	(1600-2000)	...	3	3	8	...	...	14	1	1	9	3	1	...	15	1	4	12	11	1	...	29									
V	(1300-1600)	...	...	2	19	1	1	23	2	...	1	13	...	...	16	2	...	3	32	1	1	39									
VI	(1000-1300)	...	1	5	11	12	1	30	...	...	1	7	11	...	19	...	1	6	18	23	1	49									
VII	(600-1000)	...	...	...	1	34	8	43	...	...	...	4	11	2	17	...	...	...	5	45	10	60									
Total Data not Available		1	7	15	39	47	10	119	4	1	11	27	23	2	68	5	8	26	66	70	12	187									
								9*							4**						13										
GRAND TOTAL								128							72							200									

\*1—in Grade IV.

\*1—in Grade IV;  
2—in Grade V;  
1—in Grade VI; and  
5—in Grade VII;  
Total—9.

\*\*1—in Grade IV;  
2—in Grade V; and  
1—in Grade VII;  
Total—4.



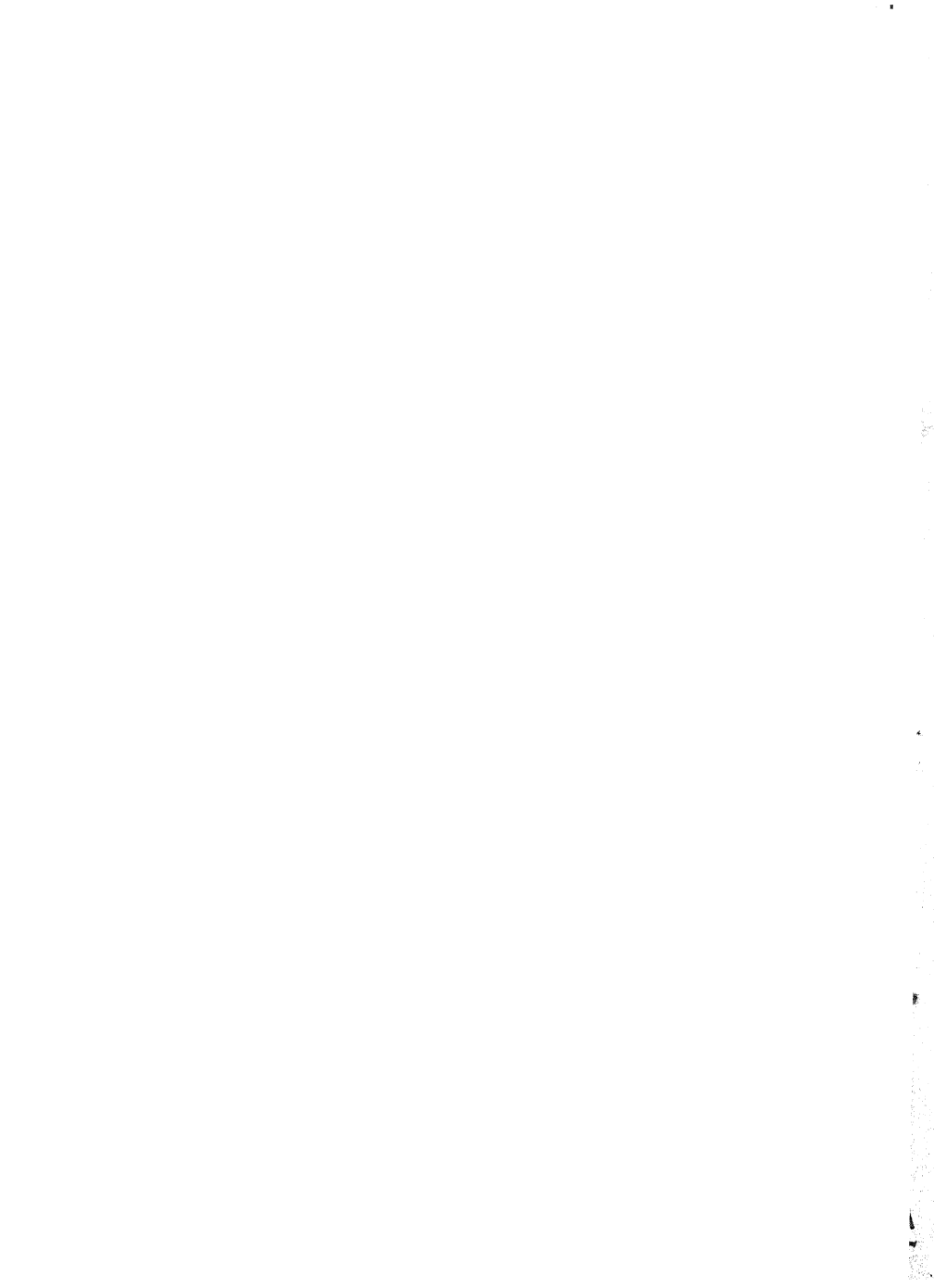


TABLE VI-A

## 'NOT ACCEPTED' CASES

Analysis based on categories :  
 (i) Grades offered, and (ii) previous salary.  
 Percentage of total 'not accepted' cases.\*

(i)		(ii)	
<i>Gradewise</i>		<i>Previous Salarywise</i>	
<i>Grades in I.M.P.</i>	<i>Percentage</i>	<i>Salary-group</i>	<i>Percentage</i>
II (Rs. 2,500)	...	Rs. 2,501-over	5.8
III (Rs. 2,000-2,250)	1.4	Rs. 2,001-2,500	1.4
IV (Rs. 1,600-2,000)	22.0	Rs. 1,601-2,000	16.1
V (Rs. 1,300-1,600)	23.5	Rs. 1,001-1,600	39.7
VI (Rs. 1,000-1,400)	27.9	Rs. 601-1,000	33.8
VII (Rs. 600-1,000)	25.0	Below Rs. 600	2.9
TOTAL	100	TOTAL	100

\*Only 68 cases, for which data were available, are included in this analysis.

in the long gap that intervened between the time of application (and interview) and the actual offer, the pay and prospects of many persons might have improved and therefore they were unwilling to accept a salary or grade at the time of the offer which they might have accepted some time earlier. A study of the non-acceptance letters also indicates that this was probably a major factor in rejections of the offer.

(3.21) The largest proportion of rejections is among persons who were earning Rs. 1,001-1,600 previously. It seems that the offer of Grade VI (Rs. 1,000-1,300) or the minimum of Grade V (Rs. 1,300-1,600) was not considered good enough by these persons. Higher starting salaries in a grade were definitely recommended by the Recruitment Board only in a few cases and this must have been the reason for the large proportion of rejections in this category. A similarly large proportion of rejections is to be found in the case of persons who were earning Rs. 601-1,000 previously. 11 of them rejected the offer of appointment in Grade VI (Rs. 1,000-1,300) and another 11 in Grade VII (Rs. 600-1,000).

*Absorption : (Tables VII & VII-A)*

(3.22) The final list of recommendations was issued by the Union Public Service Commission on 26th February, 1959, two years after the advertisement was issued. Actual appointments took a very long time in many cases. The first appointments were made in June 1959 and by the end of 1959, 76 persons had been appointed to the Pool. (See Tables VII and VII-A.) The rate of absorption became slower as time passed and 44 appointments were made in the whole of 1960. (Not a single appointment was made in July and August 1960.) In 1961 and 1962 (up to the end of July 1962) another 11 officers were appointed. The number of cases still pending is 2. (See Table I.)

*Postings : (Table VIII)*

(3.23) Out of the 128 candidates who accepted the offer and for whom we could collect data, about 29% have been appointed to general management posts such as General Managers or Managing Directors and their deputies and assistants, Secretaries, Administrative Officers, etc.; 17% have been appointed in accounts and finance; 21% in purchase and sales; 10% in labour and personnel management; 6% in development and planning work; 3% in industrial engineering and about the same number in works management and similar production work.

(3.24) Some officers for whom no specific posts could be found by any undertaking were appointed as Officers on Special Duty with a view to absorbing them gradually as suitable vacancies arose. No I.M.P. officer was appointed to Transport or Estate management jobs; and only one was partly looking after public relations. All the officers appointed in Grades II and III were posted for general management work (Managing Directors, General Managers, Project Officers, etc.). Officers appointed in lower grades were distributed among various types of functional posts.

(3.25) Out of the 128 officers who were appointed to the Pool,<sup>15</sup> as many as 48 were posted in undertakings

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15. This analysis is based on the data collected in 1961 regarding the allocation of I.M.P. officers at the time of their initial appointment. For the present (October 1962) allocation, see Appendix B.

TABLE VII  
NUMBER OF ABSORPTIONS IN 1959

Grades	Months							Total
	June	July	August	September	October	November	December	
II	...	2	...	...	...	1	...	3
III	...	...	1	...	1	...	...	2
IV	1	1	1	1	...	...	...	4
V	...	2	4	1	1	2	2	12
VI	...	2	5	6	3	3	2	21
VII	3	6	10	4	2	5	2	32
Lower Grade	...	1	1	...	...	...	...	2
TOTAL	4	14	22	12	7	11	6	76

\*Tables VII and VII-A relate to all I.M.P. cases and not only to the 200 cases included in our statistical analysis.

TABLE VII-A  
NUMBER OF ABSORPTIONS IN 1960

Grades	Months												Total
	Janu- ary	Febru- ary	March	April	May	June	July	August	Septem- ber	Octo- ber	Novem- ber	Decem- ber	
II	...	...	...	...	...	...	...	...	...	...	...	...	...
III	1	...	...	...	1	...	...	...	...	...	...	...	2
IV	2	2	1	1	...	1	...	...	...	1	1	...	9
V	...	3	3	1	...	1	...	...	...	2	...	...	10
VI	2	1	2	...	1	...	...	...	1	1	...	...	16
VII	2	2	3	3	2	1	...	...	...	1	...	1	15
Lower Grade	...	...	...	...	...	...	...	...	...	...	...	...	...
Total	7	8	9	5	4	3	...	...	1	5	1	1	44

TABLE VIII  
CLASSIFICATION OF FIRST POSTINGS OF  
OFFICERS APPOINTED TO THE I.M.P.

<i>Types of Posts</i>	<i>Grades</i>						<i>Total</i>
	<i>II</i>	<i>III</i>	<i>IV</i>	<i>V</i>	<i>VI</i>	<i>VII</i>	
General Management	3	4	4	5	4	15	35
Development and Planning	...	1	2	2	1	2	8
Accounts, Finance, Internal	...	...	...	5	8	8	21
Audit	...	...	...	1	2	9*	12
Labour and Personnel	...	...	3	5	11	7	26
Purchase and Sales	...	...	1	1	1	1	4
Industrial Engineering and	...	...	1	2	...	2**	5
Production Organisation	...	...	...	...	...	...	...
Works Management and	...	...	...	...	...	...	...
Other Engineering Work	...	...	...	...	...	...	...
Public Relations	...	...	...	...	...	...	...
Transport	...	...	...	...	...	...	...
Township, Housing, Estate, etc.	...	...	...	...	...	...	...
Officers on Special Duty	...	...	2	4	1	3	10
TOTAL	3	5	13	25	28	47	121
Data Not Available							7
GRAND TOTAL							128

\*One case—personnel-cum-public relations officer.

\*\*One case—Asstt. Coal Adviser.

under the Ministry of Commerce and Industry, 40 in iron and steel undertakings, and 19 in undertakings under the Department of Mines and Fuel. The remaining officers were spread among undertakings under various other ministries like Transport and Communications; Defence; Works, Housing and Supply; and Food and Agriculture.

#### *Reasons for Rejection of Offer:*

(3.26) As indicated earlier, out of the 200 cases studied, 128 accepted the offer of appointment and 72 rejected it. From Table IX which provides an analysis of the reasons for non-acceptance as indicated by the candidates, it would seem as if a very large proportion of the rejections were caused by dissatisfaction with the grade and pay offered. As many as 48 (68.5% of those who rejected the offer) have clearly indicated this. But probably for a number of those who either did not give any reason or who put

forward some other reasons, this has been one major reason for rejection.

TABLE IX  
REASONS FOR NON-ACCEPTANCE

<i>Reasons given for non-acceptance</i>	<i>Candidates Selected from Government and Public Sector Undertakings</i>	<i>Candidates Selected from Private Sector</i>	<i>Total</i>
Insufficient pay and/or low grade	34	14	48
Private reasons	5	2	7
No reason given	9	0	9
More time for consideration of offer or for joining	2	1	3
Not released by previous employer	1	0	1
Medically unfit	0	2	2
TOTAL	51	19	70

(3.27) If we consider the candidates coming from the public sector and the private sector separately, we find that while out of 112 candidates selected from the public sector, 51 rejected the offer and 34 of them (66.6%) definitely stated insufficient pay or low grade as the reason for rejection, out of 86 candidates selected from the private sector, 19 rejected the offer and 14 of them (77.7%) definitely stated this as the reason.

#### IV. THE SCHEME IN OPERATION—FROM RECRUITMENT TO POSTINGS

##### *Recruitment :*

(4.1) The U.P.S.C. advertisement inviting applications for recruitment to the I.M.P. was issued on 23rd February, 1957. By 27th April, which was the last date for applications to be received, about 19,000 applications had been received of which some 308 were from persons who were abroad at the time of application. Some of the applications were found to be duplicates; thus the actual number of persons considered for recruitment was 15,626. Out of these, 399 cases were of persons who did not apply, but whose names were sponsored by various participating ministries for consideration.<sup>16</sup> 1,026 candidates were selected for interview and 848 were actually interviewed by the Recruitment Board. The interviews began in May 1958, and the final list of recommendations was issued by the U.P.S.C. on 26th February, 1959.

##### *Placement of Selected Candidates :*

(4.2). The subsequent process of placement seems to have been somewhat as follows:

Detailed information about the selected candidates was made available to the participating ministries. They circulated this amongst the various undertakings under their control. The enterprises were then expected to inform the ministries about their requirements for particular candidates. In the meetings of the I.M.P. Board, the representatives of different ministries indicated the preferences of different undertakings under their control in regard to particular candidates. If a particular candidate was demanded by only one ministry, he was allotted to that ministry; if he was demanded by more than one ministry,

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16. See *Ninth Report of the Union Public Service Commission* (for the period 1st April, 1958 to 31st March, 1959), New Delhi, 1959, pp. 6-7.



then a decision was made by the Board about allotment. Once this was done, an offer of appointment was made to the candidate, informing him about the grade and pay that he would initially have. If the candidate accepted the offer unconditionally (no special conditions were acceptable), he had to undergo a medical examination and the routine security check was made. On being declared medically fit, and there being no adverse confidential information against him, an order of appointment was issued and the candidate was informed that the orders about his posting would be issued by the particular ministry which had selected him. That ministry then issued orders to him about the undertaking and the post which he was to join. On joining the appointment, the officer was treated as on deputation to the undertaking under the usual conditions of 'Foreign Service' (i.e., non-Government Service).

#### *Non-availability of Suitable Posts :*

(4.3) It has already been indicated above that the process of absorption of the selected candidates took quite a long time. The complexity of the process was one reason of this delay and this arose basically from certain characteristics of the scheme itself. Para. 10 of the scheme clearly stated that "it will not be obligatory on the part of the undertakings to accept a member of the Pool for a particular vacancy". Since the selection had not been made against any specified posts, it was not found possible to make it obligatory on any undertaking to accept any particular candidates. Placement of the selected candidates therefore depended entirely on the willingness of the undertakings to absorb them.

(4.4) The Recruitment Board had indicated a certain order of preference in its recommendations. But because the experience and education that different candidates possessed was different, and the undertakings were naturally only interested in obtaining such persons as were suited, by their background, for the requirements of those undertakings, offers of appointment could not be related to the

order of preference indicated by the Board. This led to dissatisfaction as candidates whose names were higher in the list found that others, lower down, were being absorbed earlier. But in the nature of things, this was inevitable.<sup>17</sup> Undertakings had certain vacancies; for filling these, they required persons with a certain type of background regarding education and experience and only to the extent that such persons were available in the Pool, were they interested in obtaining them. The fact that for purposes of constituting the Pool, various posts requiring quite different kinds of skill and experience were considered as being managerial in character and therefore such as could be held by officers of the Management Pool could not absolve the undertakings from the necessity of ensuring that only the right kind of persons were selected for the particular positions that they had to fill. As mentioned earlier, the Recruitment Board had not been given any idea of the number of persons with different backgrounds to be selected. It was not surprising therefore that there was no close relationship between the types of persons immediately required by the undertakings and the types selected by the Board. It seems that the undertakings were badly in need of persons who had skill in and knowledge of particular kinds of professional work like accounting, production engineering, personnel management, etc.; persons with a background of general administration or management were not so badly needed. But among those selected, the number of those who had the latter type of background was quite significant. The process of absorption was therefore inevitably prolonged.

(4.5) It seems that the higher the grade of the candidate, the greater was the difficulty in absorbing him. The number of vacancies in public undertakings in Lower Grade posts was large enough for a somewhat quicker absorption of candidates selected for these grades. Absorption was slower in the higher grades because the number

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17. See the statement made by the Minister of State in the Ministry of Home Affairs in the Lok Sabha on 27-8-59. *Lok Sabha Debates, Second Series, Vol. 33-II* (24th-29th August), New Delhi, Lok Sabha Secretariat, 1959, Cols 4549-4550.

of posts available was not large and, at these levels, the undertakings were quite naturally more cautious and careful in making appointments. Moreover, as they had already recruited some personnel directly, they were reluctant to take unknown persons about whose quality they were not sure, in positions to which their directly recruited personnel could be promoted. Even when they had no one within their organisation suitable for a particular post, they refused to take an I.M.P. candidate whom they did not consider suitable because they felt that they could directly recruit someone much better.

(4.6) Difficulties also sometimes arose in the process of placement when the representative of a ministry offered to accept a particular candidate on the basis of his own knowledge about the requirements of an undertaking under the ministry or on the basis of informal consent by the undertaking, but later on it was found that the undertaking was not ready to absorb him. An attempt had then to be made again to persuade the undertaking to take him or, alternatively, to persuade other undertakings under the same ministry or, if that was found unfruitful, undertakings under other ministries to accept him. Sometimes the names of candidates had to be circulated from enterprise to enterprise and ministry to ministry to ensure absorption.

(4.7) In some cases it happened that an offer of appointment was made and accepted, and then it was discovered that no undertaking was ready to absorb the candidate and he was left in a very uncomfortable position, having already informed his previous employer (especially if he was in a private sector undertaking) that he was leaving and yet having to wait for months because he got no orders of appointment. There was one case in which, between the offer of appointment and the actual posting, there was a gap of about 16 months! The delay in absorbing selected candidates became so troublesome and embarrassing to Government that some candidates were almost forced on the undertakings. Quotas were informally allotted to participating ministries and enterprises regarding the number of I.M.P. candidates that they should absorb. To

induce some willingness on the part of reluctant enterprises, fresh direct recruitment to posts which could be held by I.M.P. officers was stopped for some time.

(4.8) One other factor that caused delay in some cases of candidates already in Government service was the reluctance of the parent ministries or departments to release the persons selected even though their applications had been forwarded by them. In some cases, release was obtained after prolonged correspondence and consultations; in other cases, the persons were not released and the Pool had to do without them.

*Non-availability of Posts—Result of Delay :*

(4.9) This long delay in absorbing the selected candidates was the result of the difficulty in finding posts which public undertakings were ready to offer to them. But, in some ways, the delay in finalising the scheme and the long time taken for the selection process were responsible for this difficulty. Though the decision to constitute the Pool was taken before the finalisation of the Second Plan (*i.e.*, early in 1956), the scheme was finalised and orders issued only in November 1957. Though the advertisement for recruitment was issued in February 1957, in anticipation of these orders, a gap of two years intervened between the time the U.P.S.C. issued the advertisement inviting applications and the time when the result of the selection was announced. By any standards this was an unconscionably long time for the selection of managerial officers for undertakings which were badly in need of officers. It is true that the number of applicants was very large. But even then a total period of two years for completing the process of recruitment was undoubtedly too long.

(4.10) The initial strength of the Pool was fixed at 200, as indicated above, because of the considerable expansion of the public sector undertakings envisaged in the Second Plan. If selection of candidates could have been completed by the middle of 1957 or even by the end of it, probably a much larger number of posts would have

been available to I.M.P. officers and the process of absorption would also have been quicker. But the undertakings could not go on keeping their posts vacant for all this long time for the I.M.P. selection to be completed. They went ahead filling up vacancies as and when they found people, in the best way they could. Therefore the number of posts available for I.M.P. officers was smaller in 1959 and hence there was greater difficulty in absorbing them.

### *Rejections Resulting from Delay :*

(4.11) In a way, the delay in the process of selection and absorption helped to reduce the problem of absorption faced by Government because this delay in many ways was responsible also for a large number of the rejections of the offer of appointment in the I.M.P. For one thing, such delay was bound to give a poor impression to the prospective candidates about the eagerness of the public sector undertakings to obtain their services. Especially for persons who were already holding fairly good positions in the private sector and therefore were not too badly in need of a job as such, and who also had first-hand experience of the speed with which good private undertakings carry out their recruitment, this delay could have easily had an alienating effect. It might have given them an unfavourable impression about the manner in which public sector undertakings would handle any problems and the more ambitious and self-confident among them might have felt that they should rather not take a job in such organisations.

(4.12) The delay in the process of selection and absorption had another and more direct effect on the large number of rejections of the offer.<sup>18</sup> In a significant number of cases, the persons concerned seem to have been promoted to higher posts in their parent organisations in the period intervening between their application, interview and receiving the offer of appointment. Therefore the grade and pay offered to them, which they might have accepted one or two years earlier, were not acceptable to them at the time

18. See Appendix A for some typical cases of rejection of the offer of appointment in the I.M.P.

the offer was made. The Recruitment Board had, in its recommendations, indicated the grade and, where a higher starting salary was to be offered, the starting salary that the candidate should get. In some cases, it was indicated that grant of a higher grade or a starting salary higher than the one recommended may be considered if found necessary; but as these recommendations were found not to be very clear and consistent, the I.M.P. Board decided, with the concurrence of the U.P.S.C., that this part of the recommendations should be uniformly ignored. It was decided that the exact recommendation about grades and starting salaries made by the Board should be strictly followed.

#### *Lack of Flexibility in Offers :*

(4.13) Lack of flexibility regarding the offers made was inevitable in the process of selection which had been laid down for recruitment to the Industrial Management Pool. In effect, the Recruitment Board became a special selection board of the Union Public Service Commission and naturally all the rigidity that is characteristic of the U.P.S.C. selection process came to apply to the selection for the I.M.P. A business concern, supposing that there had occurred such a long lapse of time between calling for applications and making offers of appointment, would ordinarily have tried to reconsider its offer in the light of fresh data about the individual concerned, especially in respect of any promotions, increases in pay or a better job that he had obtained in the interval. No selection process is so perfect that the value put upon a man can be considered to be absolutely correct. If it happens that another employing agency has in the meanwhile found him to be more valuable, that fact would have to be taken into consideration by the selecting authority for possible revision in its original offer. This does not mean that higher grade or pay would always be offered because some other authority has granted an increase or offered a higher job to the individual; it only means that such data would almost always lead to a fresh examination of the case. Not only a private business

concern but an individual public undertaking would also ordinarily follow such an approach. But in the case of selections by the Union Public Service Commission, or a body similar to or connected with it, this would be probably difficult. As appointments are to be made on the basis of fair and equal competition, with a common basis and a common examination or interview for selection, it may be felt that the whole process of selection should be followed again if any such revision was to be made. Reconsideration of particular cases might lead to charges of favouritism. The fear of such charges is bound to affect the approach of Government as well as the U.P.S.C. in such matters.

(4.14) One step that could have been taken without creating such complications would have been to add one or two increments to the pay suggested by the U.P.S.C., according to the lapse of time between the time the U.P.S.C. made its recommendations and the time when the offer could be made. This might have appealed at least to a few of the candidates and the number of rejections would perhaps have been somewhat reduced. The U.P.S.C. would probably not have objected to this. But no such proposal was put forward by Government and the terms of the offer, whenever made, were exactly the same as those recommended by the U.P.S.C.

#### *Reasons of Rejections by Government Officers :*

(4.15) In the case of Government officers, there was a further complication arising out of the fact that the Industrial Management Pool officers were to be treated as belonging to a regular Government service (Central Service Class I). In the case of Government officers who were selected, the U.P.S.C. recommended them for appointment to a particular grade; their pay in that grade was to be fixed according to the normal rules of pay fixation. This meant that only their substantive pay, but not their officiating pay or special pay, was protected. The officers who had in the intervening period been promoted to higher posts were naturally only officiating in that post; and the pay that they were receiving in the new post could not be protected

when their pay was to be fixed in the I.M.P. In some cases, it was even found that the maximum pay of the grade that they were offered in the I.M.P. was lower than what they were actually receiving by the time the offer was made. Therefore it was inevitable that they rejected the offer.

(4.16) Similar was the case of a number of officers already working in public undertakings. Many of them were on deputation from Government and were receiving pay much higher than their substantive pay in Government. The result of their joining the I.M.P. would have been that they would probably have continued to hold the same posts as they were holding, but on a lower pay. Naturally they did not like this prospect. Moreover, if all senior management posts in public undertakings were reserved for the I.M.P. officers, then the only choice for them would have been either to accept the I.M.P. offer or to go back to their original post in Government. In that case, however reluctantly, most of them would have had to accept the offer. But as there was no such reservation, they could continue to hold the posts in public undertakings that they already held even if they declined the I.M.P. offer. They did not even have to be afraid that their chances of promotion would be in any way adversely affected by their not joining the I.M.P. They had no reason therefore to accept the I.M.P. offer and undergo a reduction in pay and it was inevitable that they should reject the offer. It can perhaps be said that non-acceptance of the I.M.P. offer by these officers in no way affected the operation of the public sector undertakings adversely; the officers were already working in these undertakings. But the fact that they did not join—and this group included some quite senior personnel in public undertakings—did affect the whole scheme adversely both because the strength of the Pool remained below the authorised strength and because the refusal to join on the part of some senior officials meant that the Pool as such did not attain the significance and importance that their being members of it would have provided.

(4.17) These cases also indicate that the flexible approach which some of the public undertakings had been



able to adopt on their own initiative could not be adopted under a scheme which was supposed to ensure a much larger and steadier supply of managerial personnel for public undertakings. This was due to the fact that individual public undertakings were not compelled to follow Government rules of pay fixation invariably and rigidly. But this was inescapable in the Industrial Management Pool as it was constituted as a regular service under Government.

(4.18) As indicated above, the principal reason for a large number of the candidates refusing the offer of appointment to the I.M.P. was their dissatisfaction with the initial grade and pay offered to them. Some Government officers who were in the senior or supertime scales of one of the Central Class I services or in the I.A.S. found that while the initial grade and pay offered to them would not lead to any reduction in their pay, the maximum of the grade offered was lower than the maximum of their existing scale. Promotion to the next higher grade was, under the I.M.P. scheme, to be on merit and one could never be sure how one would fare in a further selection the nature and procedure of which was uncertain. In the existing service, they could expect to rise not only to the maximum of their scale but also, mainly by virtue of seniority, to superior posts in still higher grades. To compensate for this loss of almost certain prospects would have required at least a significant immediate addition to pay, larger increments, and a genuine belief that in the public undertakings, by dint of merit, they could rise much faster and also obtain additional rewards by way of bonuses, etc. But there existed none of these. Moreover, unlike in the case of most Central Class I services, an I.M.P. officer had to face the prospect of being posted even in areas which did not provide all the modern urban amenities of life, including good facilities for children's education. The I.M.P. scales were not so attractive that this type of disadvantages could be ignored. These seem to be the main reasons why a large number of Government officers rejected the offer of appointment to the I.M.P.

### *Rejection of Offer by Private Sector Candidates :*

(4.19) Our statistical analysis has indicated that the proportion of rejections of the appointment offer was much less among persons with managerial experience in the private sector than among those who were already working in public sector undertakings or in some Government organisation. But as the number of selected candidates who were holding managerial jobs in private undertakings was large, in absolute terms the number of those who rejected the offer was quite large (18) and made up about 25% of the total number who rejected the offer. In their case also, the major reason for rejection was dissatisfaction with the grade and pay offered. In some cases, this arose because of the candidate's financial position having undergone a significant improvement in the time-lag between the application, interview and the date when the offer was made. The problem was therefore similar to that of the other categories of selected candidates discussed above. In other cases, the reason was that the grade and salary offered was distinctly below the expectation of the candidates concerned. Some candidates even expressed their annoyance that in spite of the fact that they had applied for a certain grade, they were made a lower offer. Of course it is the normal practice in U.P.S.C. selections that a candidate who has applied for a higher grade, if found suitable only for a lower grade, may be offered a post in the lower grade. But this inevitably involves the risk that a certain number among such offers will not be accepted by the persons concerned.

### *Effect on Pool of Large-scale Rejections of Offer :*

(4.20) The result of this large number of rejections combined with the fact that only 212 persons were included in the selection list by the Recruitment Board was that the actual number of officers appointed through the initial recruitment to the Pool was much below the authorised strength of 200. One wonders why, when about 15,000 effective applications were received and about 850 candidates interviewed, a larger number was not included in the selection list. This course would have ensured that in spite of

rejections, the actual strength would have been nearer the authorised strength. Did the Recruitment Board not envisage that there would be a significant proportion of rejections? It would be surprising if it was so; because it was making a selection from among persons many of whom were already holding good jobs; and in many cases, the offer it was recommending was not very much better than, and in some cases at least in money terms inferior to, what the candidate was already enjoying.

(4.21) It was also open to the Controlling Authority and the I.M.P. Board, when they found that a large proportion of the selected candidates were refusing to join, to ask for a supplementary list. But they did not choose to do so. The probable reason for this as well as the failure to explore the possibility of some more flexible approach in the matter of initial pay offers—aside from Government rules, procedures and tradition—seems to have been that the posting of even such candidates as were willing to join the Pool was proving to be difficult. The fact that public undertakings did not show much willingness to take the I.M.P. candidates must have influenced the authorities into thinking that non-acceptance of offers by some of the selected candidates was a convenient way out of the posting difficulties. Their lack of flexibility must be ascribed at least to some extent to considerations such as these.

(4.22) The total number of managerial posts in public undertakings which could be held by I.M.P. officers is not available. On 30th June, 1959, the total number of posts in public undertakings carrying a pay of above Rs. 750 was 2,107.<sup>19</sup> That number must be much larger now. While this would include technical as well as managerial posts, the fact that the I.M.P. has never had more than 131 officers<sup>20</sup> in it indicates that it provides only a very small minority of the total number of managerial officers in public undertakings. The fixation of the initial strength of the Pool at

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19. Government of India, Central Statistical Organisation, Cabinet Secretariat, *Census of Central Government Employees as on 30th June, 1959*, Delhi, Manager of Publications, 1961, p.48.

20. This is the total number of officers appointed to the I.M.P. The strength of the Pool has been declining and stood at 115 on October 15, 1962.

200 had itself made this inevitable. The large number of rejections has made the proportion of I.M.P. officers in the total cadre of managerial officers in public undertakings even smaller. •

*The Composition of Pool Officers :*

(4.23) As we have already seen, the agewise and gradewise composition of the Pool as now constituted is pyramidal, the proportion of officers declining with advancing age-groups and grades. The pyramid, however, narrows sharply in the higher age-groups and even more in the higher grades. The functionwise distribution also seems somewhat lopsided. The analysis of initial postings [(3.23) to (3.26) and Table VIII above] indicated that posts of a general character (including office administration, general management, project planning, etc.) and accounts and finance between them took up 52% of the I.M.P. officers. Posts in 'Personnel and Labour' and 'Purchases and Sales' were also held by a significant proportion of officers. But there were few I.M.P. officers in fields like Production Engineering, Works Management, Public Relations, Transport, Estate Management, etc. In the last two years, the functionwise distribution has not changed very significantly.<sup>21</sup> But there has been a slight reduction in the number of officers holding general administrative or management posts and posts in accounts and finance sections, and a slight increase in that of those holding posts in other functions, especially transport management.

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21. See Table X and Appendix B.

TABLE X

CLASSIFICATION OF THE POSTS HELD BY I.M.P. OFFICERS  
ON OCTOBER 15, 1962

<i>Types of Posts</i>	<i>Grades</i>						<i>Total</i>
	<i>II</i>	<i>III</i>	<i>IV</i>	<i>V</i>	<i>VI</i>	<i>VII</i>	
General Management	4	4	6	3	4	12	33
Development and Planning	...	1	1	1	2	1	6
Accounts, Finance and Internal Audit	...	...	2	5	5	6	18
Labour and Personnel	...	...	...	1	4	8	13
Stores, Purchase and Sales	...	...	4	3	9	4	20
Industrial Engineering and Production Organization	...	...	2	...	1	2	5
Works Management and other Engineering Work	...	...	2	2	...	1	5
Public Relations	...	...	...	1	...	...	1
Transport	...	...	...	2	1	1	4
Township, Housing, Estate, etc.	...	...	...	...	...	...	...
Officers on Special Duty in Public Undertakings	...	...	2	1	...	...	3
Officers on Special Duty in Government Departments	...	...	1	1	1	...	3
Data Not Available	...	...	...	...	1	3	4
GRAND TOTAL	4	5	20	20	28	38	115

## V. PROBLEMS AFTER POSTINGS

(5.1) As mentioned earlier, the first appointments to the I.M.P. were made in June 1959 and the process of absorption was largely completed only by early 1961. The scheme has therefore been in operation for too short a time for any detailed assessment of its working to be made on the basis of the record of work and the progress of the officers after their appointment. Only certain general observations can be made about this part of the operation of the scheme on the basis of some of the problems that have arisen.

### *Training :*

(5.2) The scheme made only a permissive provision regarding the training of new recruits to the Pool. The initial recruitment to the Pool was made with a view to creating a pool of officers, suitable for appointment to middle and senior level managerial posts in existing and newly developing public undertakings. For this initial recruitment, preference was to be given to candidates who already had industrial or managerial experience of about five years. The Government therefore decided that it was not necessary to give any specific training to the officers so selected and appointed to the Pool.<sup>22</sup> The undertakings could, however, if they considered it necessary, arrange for the training of all or any officers selected by them from the Pool.

(5.3) As we have already seen, about 69% of the persons recruited to the Pool were holding managerial posts in public or private undertakings at the time of their recruitment. In their case, the above-mentioned approach could be considered broadly justifiable. But what about the remaining 30% or so who joined the Pool with a background

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22. See reply by the Minister of State in the Ministry of Home Affairs to a question in Parliament on 24th April, 1959. *Lok Sabha Debates, Second Series, Vol. 30-I (21st-27th April)*, New Delhi, Lok Sabha Secretariat, 1959, Cols 13223-13227.

of administrative work in Government (25%) or some kind of technical work? It is true that half of those who joined the Pool and had a background of administrative work in Government organisations had been working in departments like finance, audit and accounts, industries and supplies. But could this type of work-experience be considered enough by way of introduction to managerial work in public undertakings? A question was raised in the Lok Sabha about this.<sup>23</sup> In view of the fact that the I.M.P. officers who came from government service had no commercial experience and those who came from commercial enterprises were not conversant with the administrative machinery of Government, one member raised the question as to why the Government did not think any orientation-training necessary. The Minister's reply was that all these factors had been taken into account when the selections were made.

(5.4) Initial training for managerial officers of public undertakings can consist of the following:

- (1) a course of training covering general principles of business management and public administration; this may also include an introduction to the special policies and problems in public sector undertakings;
- (2) a course of training to initiate the officer in the principles and problems relating to the particular function (accounts, purchase and sales, personnel, labour relations, etc.) which he would be carrying out in the undertaking.

(5.5) In addition to this, an officer will have to be specially trained in the course of his career for holding higher general management jobs. But this can only be done through refresher courses, short-term courses and, of course, by providing him with opportunities to acquire varied experience in different kinds of functions.

23. Proceedings of the Lok Sabha, 24th April, 1959. *Lok Sabha Debates, Second Series, Vol. 30-1 (21st-27th April)*, New Delhi, Lok Sabha Secretariat, 1959, Cols 13223-13227.

(5.6) While it would be true in the case of experienced officers that the technical or functional training may be dispensed with, as they would be posted, at least initially, only in jobs for which their previous experience has fitted them, the same cannot be said about the training in management and administration. Training in business management is bound to be very valuable for officers coming from Government departments, as the proper approach to handling a particular function in a commercial undertaking, even one in the public sector, is (or at least should be) in many vital respects different from that in a Government department. This is bound to be the case to an even greater degree in the case of officers who had previous experience only of general administration. One of the causes for the low level of efficiency in some of our public undertakings is the undue import into their procedures and practices of Government procedures and practices. This happens mainly because many of their officers are Government officers who have continued to practise in the undertakings all that they have imbibed in Government departments. An attempt to reorient their outlook is therefore necessary if public undertakings are to function in a businesslike way.

(5.7) Similarly, though perhaps to a smaller degree, it is necessary to acquaint persons who have spent many years of their life in private commercial firms with the general practices, procedures and approach in Public Administration. Public undertakings by their very nature are bound to modify commercial practices and procedures to some extent. Officers in these undertakings have to deal with the controlling ministries and departments for a variety of problems and they are bound to feel lost—at least in the initial stages—if they do not have some knowledge about the practices and procedures of public administration in India.

(5.8) Thus it does not seem that the decision that no training was necessary for the officers appointed to the I.M.P. at its initial recruitment was a good one. It is true that intelligent and mature persons can always be expected



to pick up, as they go along, such information and understanding as they require for efficient performance. But this is an argument that can be raised against any programme of training. Moreover, such initial training would have been of help in many other ways. Persons who were considered eminently suitable for recruitment to the Pool, but who did not have the particular kind of training that was in demand from the undertakings could have been provided with facilities for such specialised training in addition to general training in public administration or business management. The coming together of persons from these different backgrounds would itself have helped all concerned to learn a great deal through interchange of ideas and experience. It would also have helped to create *esprit de corps* among the officers newly recruited to the Pool. Such training, preferably for a short period, would have been useful in the case of all officers barring perhaps those recruited to Grades II and III. It could have been organised through batches of 30 or so. The failure to arrange for such training seems therefore to have been an unfortunate one.

(5.9) One practical difficulty in organising any training for the newly recruited I.M.P. officers was that as their appointments came to be made in dribblets due to the difficulty in finding suitable posts for them, a training programme might have been difficult to organise. It was therefore thought that the undertakings which absorbed particular candidates should be left free to arrange for such training for these candidates as they thought proper. The failure to arrange for training was thus rooted in the other more basic difficulties of the I.M.P. scheme.

#### *Probation :*

(5.10) The scheme laid down that officers appointed to the Pool would be on probation for a period of two years; but the Controlling Authority was given the power to extend or reduce this period in each case. Probation was insisted upon in the case of all officers appointed to the Pool, including Senior Government officers and even persons who were

already working in public undertakings and holding the same or equivalent posts before their appointment to the Pool. It was however decided that in cases where the officer had been working on the same or a higher scale of pay in the same undertaking before his appointment to the Pool, the period of service in that post before his joining the Pool should be taken into account for determining whether his period of probation should be reduced. In ten such cases, the probationary period has been reduced to one year. In all other cases, the full probationary period of two years has been insisted upon. This has obviously been done because it is the normal practice in Government. It needs to be mentioned that good business firms generally prefer to have a shorter period of probation—6 months to a year; and the probation is terminated early, especially in the case of direct appointments or promotions to middle or higher level posts. This could not be done even in the case of I.M.P. officers recruited directly to higher grades, presumably for the sake of uniformity in treatment.

(5.11) There has been only one case up to now in which the period of probation has been extended, the extension being for a period of six months. It has been decided that if an undertaking where an I.M.P. officer has been appointed on probation is convinced that he is not good and is not likely to improve, it should intimate this fact to the Controlling Authority, and the latter would, within a period of three months, either terminate the service of the officer or try him in another undertaking.

(5.12) Eighty-one I.M.P. officers had been confirmed by July 1962 after having satisfactorily completed their probation.

#### *Increments :*

(5.13) The special provision in the I.M.P. scheme about annual increments has been already mentioned earlier. The grant of an increment is not automatic but is decided upon in each case by the undertaking. Increments have been allowed even in the probationary period. Increment has been stopped so far only in one case.

*Transfers :*

(5.14) Most of the officers appointed to the Pool have been in their posts for only two or three years up to now and so the question of their transfer to other jobs or other undertakings has not so far arisen except in a few cases. No policy has therefore been laid down in this matter up to now.

(5.15) One important decision that has been taken is that an I.M.P. officer, even if he is technically qualified, would not be available for appointment to a purely technical post. Of course, there are many jobs which are on the border-line of technical and managerial posts and ordinarily there would be no objection to an I.M.P. officer holding such a job.

*Promotions :*

(5.16) The problem of promotions is one that has been agitating the minds of the officers who have joined the Pool. Existing public undertakings have been expanding and new undertakings are coming into existence at an unprecedented pace. A number of higher level managerial posts are advertised by these undertakings. The I.M.P. scheme had laid down that "all participating undertakings will report all existing or prospective vacancies which may be suitably held by members of the service (*i.e.*, Pool) to the Controlling Authority". But it is understood that this has not happened.

(5.17) This has meant that an I.M.P. officer has had to apply for a post in a higher grade advertised by a public undertaking like any other prospective candidate. Even if it was a post in the undertaking in which he was employed, he could not be sure whether he would be considered for the higher post without his specifically applying for it. Many officers have a feeling that the managements of the undertakings take the view that promotion of I.M.P. officers is the responsibility of the Home Ministry and that they need not concern themselves with it. If an I.M.P. officer in the same undertaking was considered for the post, either after specially applying for it or without any

such application, and he is selected, his promotion is subject to the concurrence of the Controlling Authority. Moreover, not all undertakings have been expanding equally rapidly. Officers posted in undertakings where new openings are arising less rapidly have a feeling that they are suffering in comparison with other colleagues of theirs who have been fortunate enough to be posted in the more rapidly expanding undertakings. The failure to decide on a policy regarding promotions has thus led to considerable dissatisfaction among I.M.P. officers.

(5.18) Up to August 1962, 25 I.M.P. officers had been promoted to the next higher grade on the recommendation of the undertaking and the controlling ministry, and in consultation with the I.M.P. Advisory Board. The largest number of promotions is from Grade VII to Grade VI (10 officers). The promotions in other grades have been as follows—Junior Grade to Grade VII—1; Grade VI to Grade V—4; Grade V to Grade IV—7; Grade IV to Grade III—2; Grade III to Grade II—1. In the last case, within a short time after his promotion to Grade II, the officer has again been promoted to Grade I. But this is rather a special case.<sup>24</sup>

(5.19) The Board took a decision in 1961 that an officer should not be promoted until he is confirmed in the next lower grade and has completed at least three years in that grade; however, in the case of promotions to Grades I and II, minimum service of two years (instead of three) in the next lower grade has been laid down as the minimum. This led to some difficulties in the case of officers who were at or near the maximum of their original grade. When it was necessary to put them in charge of posts which were in the higher grade, they would have

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24. This was done because the officer had to be appointed to a higher post—General Manager of one of the Steel Plants—and it was felt that if he was to occupy this post, he must be put in Grade I. However, as he had not been confirmed in Grade II at the time of appointment, his promotion was treated as 'temporary'. Subsequently he has been confirmed in Grade II and is now 'officiating' in Grade I. In the case of another officer, who had been confirmed in Grade II, a 'temporary' promotion to Grade I had been similarly permitted. This officer has, however, now reverted to his parent service.

to be given a charge allowance. But in such cases, the officers' basic pay plus charge allowance would be higher than the pay they would receive on promotion to the higher grade. It has therefore been now decided that the above rule about promotions may be relaxed in specific cases.

(5.20) It has also been decided that in order to give all officers as much equality of opportunity as possible for promotion within the Pool, a panel should be drawn up once a year of officers from each grade who are eligible and are considered suitable for promotion to the next higher grade. This panel would be circulated to all the participating ministries and undertakings and it would be open to these undertakings to select any person from the panel for appointment to a post equivalent to the grade indicated in the panel. The first such panel is expected to be prepared some time in 1962.

(5.21) While this procedure may possibly bring about some equity in promotions regarding officers in the Pool, the condition regarding minimum period of service before promotion to a post in the next higher grade is likely to create complications. The original principle that there would be no seniority within a grade for the purpose of promotion has got somewhat modified now in that officers who have not completed three years (or two years) in a grade are not to be eligible for promotion. But a more troublesome effect can be that while a non-Pool officer of the undertaking with similar qualifications and experience and holding a similar post for a period of less than three (or two) years can be selected by the undertaking for the higher post if no other more suitable candidate is available, a Pool officer cannot be so selected even if he is considered more suitable. A Pool officer will be similarly handicapped under this rule *vis-a-vis* a candidate from the open market in regard to recruitment to higher grade posts. Even if his experience and qualifications are better, he will not be considered for such a post unless he has completed three (or two) years' service in his present grade. A person who gets a higher grade earlier will always have an advantage in various ways over a person who gets it later. This difficulty is bound

therefore to create a great deal of heart-burning and consequent demoralisation among the Pool officers.

(5.22) Whether a minimum period of service in one grade should be invariably insisted upon before a person is considered for promotion to a higher grade is a debatable problem. While it is obvious that normally a person will have to be watched in a new post for some time before his capacity for a higher job can be properly assessed, in the case of some really capable persons, this would become obvious in quite a short period of time, say, six months. Specially in the stage of economic and industrial growth that India is passing through at present, with a number of undertakings expanding rapidly and new ones being set up at a fast pace, there is bound to be such a shortage of capable personnel at senior levels that managerial and other officers will have to be promoted very rapidly. Management thinking now supports the idea of picking out potentially capable persons at a comparatively young age and promoting them rapidly so that they can occupy top positions in their early or middle 40's. Only then will it be possible for such persons to give fifteen to twenty years' high level service to the undertaking. In well-managed private undertakings, cases have occurred of a person being given two or three promotions in almost as many years—and these are not cases of nepotism or favouritism either. A rule laying down a minimum period of as long as three (or two) years before a person can be considered eligible for promotion does not seem to be a good one from this point of view.

(5.23) Moreover the application of this rule in the present situation to the I.M.P. officers is bound to create complications due to two factors. One is that not all managerial officers in public undertakings belong to the I.M.P. Thus unless this principle is expected to be applied to all managerial officers in public undertakings, and not only to I.M.P. officers, it is bound to prove discriminatory. But it is not possible to apply such a principle to all managerial officers in public undertakings. This is because, as mentioned above, industrial expansion both in the public and

private sectors is taking place so rapidly in India that there is an acute shortage of persons with the necessary qualifications and experience for manning technical as well as managerial posts. Because of this shortage, persons with less maturity and experience have to be appointed to various posts. For a post for which formerly 15 years' experience would have been considered necessary, 10 years' experience was accepted two or three years ago and perhaps 7 or 8 years' experience will be accepted now. Under these conditions, if in deciding upon appointments to certain posts, a minimum period of two or three years' service is insisted upon in the case of internal candidates, it is likely that an outside candidate, no better qualified, would be selected while the internal candidate is not even considered because he has not completed the minimum period of service in his existing grade. This is bound to lead to dissatisfaction and demoralisation among the existing officers.

(5.24) Under the present conditions, and with the the I.M.P. scheme as it is, the only solution seems to be to lay down no such bar to promotion. When there is a vacancy in a public undertaking to which an I.M.P. officer can be appointed, the undertaking should be obliged to notify the Controlling Authority about it. The Controlling Authority may on its own provide a panel of suitable candidates from the I.M.P. An officer of the I.M.P. whose name is not included in the panel but who wishes to be considered for the post should be free to request the Controlling Authority to forward his application for consideration. It should be left to the undertaking to choose the officer it finds most suitable. Even under the proposal of the I.M.P. Advisory Board, the final choice will be with the undertakings—the only restriction there being regarding the minimum period of service, which we have seen to be unsuitable in the present context. Of course, if no I.M.P. officer is considered by the undertaking as satisfactory, it should be free to go to the open market to see whether a better candidate is available.

(5.25) In the case of the initial recruitment to the I.M.P., there is another objection to the application of a

minimum period of service before promotion. This is that the absorption of different candidates, all selected at one and the same time, took place at different times, with gaps of many months, and this was due to no fault of the officers. As we have seen, it has not infrequently happened that an officer higher in the preference list recommended by the Recruitment Board was absorbed much later than another one, much lower placed. The insistence on a minimum period of service after joining will permanently handicap the officers who joined later due to no fault on their part.

(5.26) It is understood that a few cases have already occurred where an undertaking considered an I.M.P. officer to be the most suitable person available for appointment to a higher post but there was difficulty in promoting him because of the rules regarding promotion of I.M.P. officers. In one such case it is understood that the officer decided to resign from the Pool as the only way of getting over this difficulty.

#### *Fresh Recruitment to the Pool :*

(5.27) The I.M.P. scheme had envisaged an annual intake of about 5% of the authorised strength of the Pool. But in spite of the fact that as a result of many cases of non-acceptance of the offer of appointment the strength of the Pool has remained considerably below its authorised strength, no attempt at fresh recruitment has been made since the initial recruitment. In view of the difficulties that were faced by the Controlling Authority in placing the candidates selected at the initial recruitment, hesitation regarding making any fresh recruitment is only natural. The I.M.P. Advisory Board is understood to have come to the conclusion that there should be no further direct recruitment to the higher grades of the Pool. Even for recruitment to the lowest grade of the Pool, there seems to be not much willingness among the participating ministries and undertakings. Managements of most undertakings consider that the best thing would be to leave all future recruitment—technical or managerial—to them. No final decision has yet



been taken in the matter; but there has been no fresh recruitment even to the lowest grade of the Pool.

(5.28) There is no doubt that this state of affairs cannot continue. Many I.M.P. officers are apprehensive about the future of the Pool and so about their own future in view of this stagnation of the Pool resulting from no further recruitment. This stagnation is already causing some demoralisation among the Pool officers. This is highlighted by the steadily increasing number of officers who are leaving the Pool. Even by October 1961, 7 officers had left the Pool. In the next 12 months, 7 more have left. Out of these 14 officers<sup>25</sup> who have left the Pool, 8 were persons who were recruited from the private sector and 6 were Government officers who have chosen to return to their parent services. One of these officers was in Grade II and had been permitted to officiate in a post in Grade I; but he has preferred to revert to the I.A.S. 2 of the other officers who have left the Pool were in Grade V, 6 in Grade VI and 5 in Grade VII. Except for the I.A.S. officer mentioned above, no other officer who has been promoted to a higher grade has left the Pool. It is understood that some more officers have indicated their desire to leave the Pool. This tendency is bound to grow as time passes without any definite indication by Government about its future policy regarding the Pool. It is necessary therefore that a decision should be taken at an early date about this. The remaining part of the study is an attempt to provide some suggestions for the formulation of future policy.

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<sup>25</sup> Data as on October 15, 1962.

## PART TWO



## VI. MANAGEMENT PERSONNEL

### *What is 'Management'?*

(6.1) Managing is an activity which is quite different from the various functional activities of an organisation. It has been defined as "the work which the manager does as he seeks to get results through other people."<sup>26</sup> It also usually involves a certain element of horizontal co-ordination in addition to the normal 'line' responsibility. This element of management enters the activities of persons at various levels in an organisation to the extent that one man must guide, direct and co-ordinate the activities of others. Thus, what is usually called technical work is invariably combined with managerial work except for the lowest level of operators. One might even say that except at the very top level, no person in an organisation would be doing purely managerial work. Each person would be combining some managerial work with some technical work, using the term 'technical' in the broad sense to include not only engineering and production jobs but also accounting, finance, personnel and labour relations, commercial work, etc. At progressively higher levels in an organisation, the managerial element in the job is likely to be more important than the technical one; and at the very highest levels, the job may be purely a managerial one.

### *Who Are the Managers?*

(6.2) Ordinarily, therefore, no person can begin his career in a purely 'managerial' job. He will begin in a job which is either purely 'technical' or, if he starts at a somewhat higher level, which has some managerial element in it. In a good organisation, every person, whatever the function and level that he starts with, should have the opportunity to rise to the top posts, which are essentially managerial. These jobs should not be reserved for a particular

26. H.B. Maynard (ed.): *Top Management Handbook*, New York, McGraw-Hill Book Company, 1960, p.10.

category of persons and no category should be favoured or disfavoured in this connection. It is true that persons who begin their career in certain functions or at certain levels in the organisation may have a better opportunity to obtain the necessary training and experience and to prove that they possess the qualities necessary for occupying top management posts. Which functional specialisations enjoy this kind of better than average opportunity will of course vary from industry to industry and from country to country.

*U.S.A. and U.S.S.R. :*

(6.3) It seems that in the United States, a person starting his career in the sales function has a somewhat better chance of reaching the top executive positions than a person starting in the engineering function.<sup>27</sup> Though the position varies from industry to industry, it seems to be generally true, especially in the case of younger age groups, that the best chances of rising are in the sales area. On the other hand, in the Soviet Union, the top executive positions in enterprises seem to be held by persons who are highly qualified technicians or who are reliable Communist Party officials or, more often, who combine both these characteristics.<sup>28</sup> If one may hazard making a generalisation, it seems that the background of top executives has something to do with the functions of the undertaking as an organisation; and this may have a close relationship with the stage of economic growth that the country has reached and the total economic environment—whether the economy is planned or unplanned, the nature and importance of the market in the functioning of the economy, etc.—in which the enterprise works. In the U.S.A., at present, the commercial aspect—in a broad sense of the term—dominates in making for the success of an enterprise. This does not mean that other aspects like productive efficiency are not important. But in the present state of 'Affluent Society' there, the commercial aspect makes for success much more than other

27. See G.L. Carpenter : "The President's Job" in H. B. Maynard (ed.), *op. cit.*, pp.167-170.

28. D. Granick: *Management of the Industrial Firm in the U.S.S.R.*, New York, Columbia University Press, 1954, pp.55-56.

aspects. The synthetic creation of demand for whatever is produced is more important—or at least as important—for the success of many enterprises than the efficiency with which the output is produced. In the U.S.S.R., on the other hand, the situation up to now has been such that the attainment of production goals, both in quantitative and qualitative aspects, has been the supreme objective of successful management. As a matter of fact, the situation faced by an enterprise has been almost always that of a sellers' market, so that the quality of production effort, either in terms of product quality or cost of production, would have been much less important than the quantity of production but for the fact that a scheme of incentives has been set up to ensure that qualitative aspects also receive some attention.

#### *India :*

(6.4) The present stage of India's economic growth and the fact that we are increasingly planning the operation and growth of our economy would indicate that production will be more important than the financial or commercial aspects of the functioning of the enterprise, especially in public sector enterprises which will be mainly basic industries or public utilities. But with the existence of a parliamentary democracy and a mixed economy, efficiency in purchase and sales, good labour and public relations and good working relations with governmental agencies and the Parliament may be almost equally important objectives of a public undertaking. Top managerial officers may therefore be properly drawn from all functions or backgrounds which have some relationship with the above mentioned objectives, though the production function may justifiably receive some preference.

#### *Not Everyone Capable of Top Management :*

(6.5) While it is proper that top management positions should be open to all persons, whatever the function or the level from which they begin their career, not all persons are equally capable of developing into good top managers. Management involves the capacity to plan, decide, organise

and motivate. The higher the level of the managerial job, the more important it becomes that the person should possess this capacity in the fullest possible measure. This capacity then becomes more important than knowledge or experience about that industry, or if we are thinking of the position of the head of a particular functional area, the knowledge or experience about that particular function or activity, though such knowledge is certainly valuable. It is well known that a very brilliant professor may not necessarily make a very good vice-chancellor of a university; a very efficient salesman may not always make an effective head of the sales department and a very talented engineer may not be the best person to occupy the post of the Chief Engineer. Capacity to manage may be found among all such 'technical' persons, but the best technician may not necessarily be the best manager. It is one of the vital tasks of top management to locate the persons in the organisation who show potential capacities of management, to develop their potentialities properly and to plan their careers in such a way that they can in time occupy important managerial jobs.

#### *Lateral Recruitment for Top Management :*

(6.6) One important problem that is always raised in this connection is how far the top management positions should be filled by persons raised in the ranks of the organisation and how far should outsiders be laterally recruited. Persons who have risen from within the organisation have obviously certain advantages from the point of view of the undertaking. They are familiar with the organisation, its policies, traditions, and key personnel, its strong and weak points, etc. and this is a valuable asset to a high level manager. They are also likely to have a special loyalty to the organisation, as they have grown up in it and may have the necessary faith in it. Moreover such appointments can provide probably the single most important incentive and source of encouragement to others in the organisation. Because of these weighty reasons, most business organisations, in India or abroad, within the private or the public sector, generally emphasise the necessity to develop their own

personnel for top management positions.<sup>29</sup>

(6.7) There may however be occasions when it may be desirable to go outside the organisation for getting a high level executive. Newcomers to an organisation may bring in a fresh point of view and more varied and broader experience which may be of value if an organisation is getting too much into a set pattern of functioning which is not proving very successful. It may also happen that the available men within the organisation may take time to grow up to the required job and the organisation cannot afford to wait. A small organisation may have more occasions to go outside its own ranks for some of its high level executives as compared to a large one because the number of employees from amongst whom the choice has to be made is limited in the case of the former. Similarly, an organisation that is rapidly expanding may find it necessary, in spite of its efforts at development of its own personnel, to go outside in search of good management personnel at the middle or higher levels because its own personnel may not have developed to the extent necessary. In an expanding economy where there is keen demand for better talented personnel, individuals may themselves like to move from one employer to another, at least in the early stages of their career, so as to increase the breadth of their experience.

(6.8) Generally it could be said that while an undertaking should aim at developing the bulk of the higher level managerial personnel required by it from within its own ranks, and its personnel development programme should be organised with this aim in view, it may not always succeed in doing so. It is important that it should have the clear-sightedness and courage to go outside its own ranks when it finds that a suitable person is not available within.

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<sup>29</sup> See in this connection—J. Russell Duncan: "Building and Retaining of Top Management Team" in H.B. Maynard (ed.), *op. cit.*, pp. 858-860; *Report of a Committee of Enquiry into the Electricity Supply Industry* (Chairman: Sir Edwin Herbert), London, HMSO, 1956, cmd. 9672, pp. 84-86; also—*Report of the Advisory Committee on Organization of the National Coal Board* (Chairman: Sir Alexander Fleck), London, HMSO, 1955, para. 34.



## VII. PROPOSAL FOR A MANAGEMENT SERVICE

### *Two Approaches :*

(7.1) Broadly speaking there are two schools of thought in India about the subject of management personnel for public undertakings. One of them considers it necessary that there should be a management service which should be on par with the Indian Administrative Service, and that generally all managerial posts in public undertakings should be manned by officers belonging to this service. The alternative view is that recruitment to all posts, including managerial ones, in public undertakings should be the responsibility of the Boards of Directors of those undertakings and that there should be no attempt at centralising this important part of their management functions.

(7.2) This latter view agrees with the present practice which in the main is that the recruitment of all officers of corporate public undertakings is done by the managements of these undertakings. Of course the persons who work as directors of the undertakings are appointed by Government. Government approval is also required for all appointments carrying salaries above a certain level. But the bulk of the recruitment is entirely in the hands of the undertaking's management. It may also be mentioned that in most other countries like the U.K. and the U.S.A. where there are large corporate public sector undertakings, the recruitment to most managerial and other posts is made by the undertakings themselves. Thus the creation of a special branch of the civil service for manning managerial posts in public undertakings would be quite an innovation as compared not only to the present practice in India but to the present practice in most democratic countries which have large corporate public sector undertakings.

### *Specialised Services Common in India :*

(7.3) The idea of organising a new 'service' for any

specialised activity undertaken by Government fits in with the general approach to the organisation of the Civil Service in India. In addition to the two all-India services—the Indian Administrative Service and the Indian Police Service—specialised services have been set up in India for providing higher level personnel for various specialised jobs. The examples of this are—Indian Foreign Service, Indian Audit and Accounts Service, Indian Railway Accounts Service, Customs and Excise Service, Indian Income-tax Service and the Indian Postal Service. Recently two new specialised services, viz., the Indian Economic Service and the Indian Statistical Service, have been organised. The idea of organising an Indian Management Service is in keeping with this general approach.

*Prestige and Status of a Service :*

(7.4) One important reason that is put forward in favour of organising such a service is that in India these services, and especially the Indian Administrative Service among them, have a certain high prestige and status. Good quality personnel is likely to be available at lower salaries for an all-India service which has the same status as the I.A.S. Moreover, as the managerial officers in public undertakings will have constantly to deal with Government, they will feel handicapped unless they belong to a service which has the same status as the I.A.S.

(7.5) This argument about the prestige attached in India to the administrative service (formerly the I.C.S., now the I.A.S.) is many times put forward even by persons holding managerial positions in public undertakings and to that extent its validity must be granted. But it would not be proper to accept the fact that a non-I.C.S. or non-I.A.S. man by and large feels, in the present set-up of the public sector in India, that he is handicapped in his career and even in his functioning by his not belonging to a Government service of equal status as a conclusive argument for the setting up of a management service. This argument is based essentially on a backward-looking approach to problems rather than on a forward-looking one. There are many

historical reasons why in India a great deal of prestige was attached to Government service as such, and to the I.C.S.—the predecessor of the I.A.S.—in particular. The most important amongst them, and the more relevant for our purpose, were: (i) Under foreign rule, all authority derived from the bureaucracy (with only a remote control from Whitehall), many of whose members, at the top levels, belonged to the ruling race. Thus all Government servants and especially I.C.S. officers came to be looked upon, by association, as superior. (ii) The development of business and industry in India was very slow in the period before independence; large and modern business concerns were, with a few exceptions, controlled and therefore, at top levels, manned by foreigners. Therefore the only opening for educated and talented Indians was in the various Government services which thus came to be looked upon as the main positions of money, power and status that young men could aspire for.

(7.6) This approach still lingers on. But the situation is already changing. With the expansion of business and industry that has taken place since independence, young talented persons do not all look upon the I.A.S. or similar services as the only worth while careers open to them. Many of them find that a career, for example, in a good business concern in the private sector is at least as rewarding if not better; and they do not consider that they are in any way inferior to a member of a Government service. This feeling no doubt persists to a significant extent among persons working in public undertakings (that is, among those who do not belong to the I.A.S. or other Government services). But that to some extent is due to the fact that the top positions in many of these undertakings have been filled as at present by officers of these services—on deputation or after retirement. This was inevitable because Government services were the most important source on which the Government had to draw for obtaining mature and experienced persons in the initial stages of the rapidly expanding public sector. But this need not be so in the future. If a proper policy is adopted—and suggesting the

basis of such a policy is the purpose of this study—the higher positions in public undertakings will be increasingly manned by persons who have grown up from within industry; and there is no reason why, unless they are deliberately kept on lower status and pay, they should feel in any way inferior to members of a Government service. Their approach in this respect is bound to be similar to that of the growing number of young managerial personnel in private undertakings.

(7.7) It is being increasingly realised that public undertakings should not be treated as organisations subordinate to a Government ministry and that it should not be that any officer in the ministry should be able to consider himself to be superior to the management of the undertaking. As this approach is put into practice, and persons who have risen up mainly from within the undertaking take charge of their top posts, personnel in public undertakings are bound to feel proud of their jobs, of the undertaking to which they belong and of their profession, and would not need the label of a Government service to give them self-confidence and status. In economically advanced countries in the West, no one considers that a member of a civil service is in any way superior to a person working in a business undertaking, public or private. In spite of the considerable expansion of the public sector in countries like the U.K., France, etc. no attempt has been made there to set up a common Government service to man the higher positions in public undertakings. Moreover in a planned economy which is trying to grow fast, persons who are participating in production tasks are bound increasingly to enjoy an esteem and a status at least equal to if not higher than that enjoyed by any category of civil servants.<sup>30</sup>

#### • *A Common Advancement Ladder?*

• (7.8) There are also some positive reasons against

30. cf.—“The sphere of material production is the main sphere in the life of society; the most capable people must, therefore, be given leading posts in the sphere of production.” *Draft Programme of the Communist Party of the Soviet Union*, Moscow, Foreign Languages Publishing House, 1961, p.73.

the setting up of a management service as a Central service for manning higher level posts in all public undertakings. One is that a common service for all undertakings essentially implies that an officer of the service is not only available for posting in any undertaking but that when appointments to higher posts in any undertaking are being considered, all officers who are eligible—whatever the undertaking in which they are working for the time being—must be considered. Unless this is done, the very basis of a common service would be destroyed.<sup>31</sup> But there are two real difficulties in this. One is that, ordinarily, a person who has been working in the same undertaking is, as indicated earlier, likely to be of more use to the undertaking in a higher post than a person who has been working in some other undertaking. While knowledge of the particular industry is, as we have mentioned earlier, not the most important condition for a person to successfully occupy a managerial post therein, such knowledge is a valuable asset. The detailed knowledge of the organisation, techniques and personnel of the undertaking that an officer develops during a continuous career in that undertaking is a very valuable asset in the type of work that a managerial officer in a business undertaking has to perform. Team-work is of great importance in the management of an undertaking and the more the members of the team who have worked together and grown up together, the better it would be for the success of the undertaking. Only in a few cases could it happen that the difference in merit between an outsider and an insider is so large as to outweigh these advantages to the undertaking of promoting a person who has already been working in the organisation. But in a common service, fairness in promotion among the various members of the service is bound to be considered important even though such fairness may be at the cost of appointing the person fittest for the higher appointment from the point of view of the undertaking.

(7.9) The approach, at least in theory, in the Civil

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31. cf.—“Common qualifications, a common gradation list, and interchangeability of appointments held by its members, are among the prerequisites of an organised service.” *Report of the Second Pay Commission, op. cit.*, p.163.

services in India is that the art of administration at the highest levels of Government requires only 'generalist' administrative ability and not any special knowledge or experience of the field in which the officer is to operate. The organisation and procedures are also supposed to be so formed that a particular department or ministry is expected to operate with uninterrupted efficiency even if many of the officers working there change from one department or ministry to another. It is not our purpose to examine the validity of this approach in Government administration. It is also possible that with the increasing economic and other functions undertaken by Government, this approach would be gradually given up to some extent even in Government administration proper. Anyway, the thinking as well as the practice in productive business undertakings do not accept this approach. It would be a serious mistake therefore to import it in the manning of managerial positions in public undertakings in India.

(7.10) It may be said that movement from undertaking to undertaking is likely to improve the capacity of the officer as it will provide him with wider experience. But in a large public undertaking, such as we are increasingly organising in India, the scope for giving the officer wide experience of jobs and problems would be considerable; and, moreover, this approach will have the advantage of keeping the officer within one large organisation so that he will come to have sufficient knowledge about its techniques, organisation and personnel. Roaming over fields wider than a large undertaking may give little additional breadth of vision and may seriously undermine the effectiveness of the officer because of his superficial knowledge about the undertaking where he is operating.

(7.11) As we have seen, the Industrial Management Pool scheme has tried to work out a compromise. While a panel of eligible officers will be prepared, the decision about which officer is to be selected for the higher post available is to be left to the undertaking. As it has been laid down that there would be no seniority within a grade, any officer (who has completed two or three years' service

in the next lower grade) can be promoted by virtue of his merit as assessed by the appointing authority. But how can the merit of different candidates be assessed in a fair way by the management of a particular undertaking? About their own candidates, they can be presumed to have full knowledge; but as regards others, they can only go by confidential reports. The types of jobs done by different candidates may be so different, and even in the same type of job, the conditions prevalent in different undertakings may vary so much, that the confidential report<sup>32</sup> about the record of the candidate in his present job may not make it possible to compare the candidates. The problem of choice would be even more difficult because in the case of promotion to higher managerial jobs, it is not so much the report on the merit of the candidate in his present job as an assessment of his potentiality for a new higher job that has to be considered. To compare in common the assessment made for this purpose by superior managerial officials in a large number of different undertakings is bound to be difficult. The fact that the choice is left to the individual undertaking is likely to result in candidates from the same undertaking being preferred, unless the difference in merit is markedly obvious; and this is bound to lead to dissatisfaction in the service. The only alternative, however, to allowing the undertaking to make this choice is for a common authority—be it the Controlling Authority, *viz.*, the Home Ministry, or a body like the U.P.S.C.—to do it. But this body would be equally in difficulty in assessing the capacity of different candidates for a higher position and therefore would tend to follow the normal path of least resistance—ordinarily the more senior candidate would be chosen. This may be in a general way fair—or the least unfair—but it will not serve the purpose of selecting a candidate who is the fittest for the job. There is also the other side to this; as mentioned earlier, enterprise managements may object to this important function of management being taken away from them.

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32. Moreover, it is understood that the confidential report for I.M.P. officers is submitted in the same form as is used for Civil Service officers. This is not likely to prove of much value for judging potential capacity as required by a business undertaking. But of course this can be easily corrected.

(7.12) It needs to be clearly accepted that if public undertakings are to be operated efficiently, fairness as among different individuals should be considered less important than the success of the undertaking; and this may require the selection of personnel for occupying higher positions in an undertaking ordinarily from within. It is quite likely that this may result in the persons employed in some undertakings obtaining promotions much more rapidly as compared to others, equally capable, who happen to be employed in other undertakings. This would be no doubt unfortunate for the individuals concerned; but it cannot be helped. Persons will accept this philosophically except when they are supposed to belong to a common service, even though working in different undertakings. In that case there would be serious difficulties if this happens. This therefore is an important argument against the constitution of a management service common to all public undertakings.

(7.13) One method of meeting some of the difficulties stated above would be to split up the Management Service into enterprisewise cadres on lines similar to the State-wise cadres of the I.A.S. It may be decided that the officers will remain in their allotted enterprises till they reach a fairly senior level (something equivalent to Grade III of the I.M.P.). The strength of the cadre for each enterprise can be fixed after taking into account the number of officers required at various levels so as to ensure fairly equal promotion opportunities for officers in the different cadres. The common Controlling Authority could actively interest itself only in the promotions and placement of such senior officers. These officers may be considered for appointment when higher positions are vacant not only in their own undertakings but also in other undertakings in the public sector. As the number of such officers would be small, it may not be too difficult to ensure a fairly adequate common assessment of such officers when the problem of promotion arises. It may however be difficult for either the enterprises or the Controlling Authority to rise over the long traditions of the civil services and give, in actual practice, a much greater



weight to merit and suitability than to seniority. This would be especially so when the officers belong to a regular Government service. This objection therefore would remain valid even under the kind of arrangement mentioned above.

### *A Management Service as Such?*

(7.14) An even more fundamental objection to the setting up of a Management Service is this: is it proper and possible to recruit a young person and designate him as belonging to a cadre from which most of the higher managerial positions in any public undertaking will be filled? As we have seen earlier, good management policy requires that the possibility of rising to higher management positions should be open to all employees of an undertaking though it may happen that persons starting at certain levels and in certain lines of work will enjoy some advantage in their chances of rising to such posts. It is especially important that no category of persons should be excluded from the possibility of rising to such posts.

### *Can 'Technical' Persons Become Top Managers?*

(7.15) An important problem arises in this connection regarding what are known popularly as technical personnel. Many people take the view that persons with qualifications in pure or applied science and technology and starting their careers in an undertaking in 'technical' work, should be promoted only in their own technical line and that management posts should go to other, 'non-technical', persons. The Industrial Management Pool scheme was based, it seems, to some extent on a similar approach. The Pool was expected to provide officers for 'non-technical' positions relating to "general management, finance and accounts, sales, purchases, stores, transportation, personnel management and welfare and town administration". At an early stage, there seems to have been some idea that persons with education in engineering should not even be considered for recruitment to the Pool; this was changed later. Such persons were permitted to apply and, as we have seen, quite a significant proportion

of those who were selected and finally of those who were appointed were persons with such educational background. It was however decided that an officer of the Pool was not to be posted to a 'technical' job even though he was qualified for it. It was said that an officer of a management pool should be posted only to managerial positions which were defined as above.

(7.16) This approach is based on a misapprehension about the distinction between 'managerial' and 'technical' work. The term 'technical' work is generally reserved for jobs requiring specialised knowledge or experience in various fields of applied science or engineering. But the character of such work is not essentially different from what is generally spoken of as 'management' work, *i.e.*, work in fields like accountancy, purchase and sales, store-keeping or personnel management. The latter kind of work, if it is to be performed efficiently, also requires considerable specialised knowledge and experience in the particular techniques required for that function. Broadly, what is many times called 'managerial' work is 'staff' work, and what is called 'technical' work is 'line' work; but surely it cannot be claimed that management (in the sense indicated in our discussion earlier) is involved only in 'staff' and not in 'line' type of jobs! Secondly, as we have already seen, all jobs in an undertaking, except at the very highest or very lowest levels, would combine some managerial with some specialised or technical work. The higher the level of the job, the greater would ordinarily be the managerial element in the job. At the highest levels the work will be almost purely managerial and it is one of the vital tasks of higher management to build up personnel who can gradually occupy these positions.

(7.17) Must the higher management of an undertaking concentrate only on the so-called 'non-technical' or 'managerial' personnel in its attempt to locate potential talent for top management? It has been widely held, especially in many administrative circles in India, that technical personnel, *i.e.*, those with technological education and

experience, cannot make good administrators or managers.<sup>33</sup> Scores of examples can be given both from India and abroad to prove the unsoundness of this argument. An important point to remember is that, except at the level of the man at the machine or the work-bench, a technologist has to carry out managerial tasks side by side with technological ones; and the higher the level that he occupies even in his own 'technical' line of work, the larger would be the managerial element in his total work. This is why, even in making promotions in a technical department, care has to be taken to see that the man who is to occupy higher level positions is not only sound in his knowledge of the technique but is also capable of managerial work.<sup>34</sup> Not all technologists are capable of being good managers at progressively higher levels; but the same is true about, say, accountants or personnel specialists. On the other hand, to decide in advance that a technologist is inherently incapable of occupying positions requiring general management ability is unfair both to the persons concerned and to the organisation which is employing them. The organisation is deprived of one

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33. *cf.*—"We are apt to think that sound technical equipment is the decisive factor in each department of public service. But it is not so. The special equipment required for various jobs is no doubt indispensable. *But experts cannot govern nor can they be safely allowed to govern, though they may wish and, if permitted, be able to dominate.* In administrative key positions, the special technical equipment that comes into play in those departments is strangely enough by no means the essential equipment. To give only one example, the man responsible for the fine and rapid development of the electricity system of Madras State was not an electrician, and an electrical engineer could not have done it." C. Rajagopalachari: "The Good Administrator", *The Indian Journal of Public Administration*, Vol. II (1956), pp.2-3. With due respect to Shri Rajagopalachari, there is an obvious fallacy in the argument. That an engineer *as such* may not always be a good manager or administrator may be accepted; but from this to conclude that "experts cannot govern" is surely not warranted.

34. *cf.*—"It will...be desirable, somewhat at the time of recruitment and greatly in governing in-service assignment and development, to differentiate between technicians specialising in sub-fields of specialization and technicians dealing more generally with technical functions. Some effort should be made to recruit a small percentage of technically trained persons in the various fields who already show a capacity for general virtuosity. Certainly in the first eight or ten years following their recruitment there should be a considerable effort to select out for special attention those individuals who demonstrate breadth of interest, flexibility, and general good judgment; such persons are the ones best fitted to move upward in hierarchies of organisations carrying on functions of heavy technical content." Paul H. Appleby: "Meeting Future Personnel Needs", *The Indian Journal of Public Administration*, Vol. II (1956), p.8.

important source from which it could draw persons with a potential ability to manage at the highest levels. The individual also should not, in fairness to him, be deprived of the possibility of reaching the highest positions in his organisation.

(7.18) It is sometimes said that using a technically qualified man for general management work which can be carried out by a person without such qualifications is wasteful in a country where there is such a shortage of technically qualified people. To some extent this may be true about lower or middle level positions in an organisation. But managerial talent at the highest levels is also not so plentiful that one can afford to ignore it in one whole category of personnel. Moreover, as the highest positions in any undertaking, carrying more salary, status and authority than any other positions, are always 'generalist' positions, to deprive all technologically qualified and experienced persons of any opportunity of being considered for them would be palpably unfair. Those who like only technical work and those who are only suited for such work will not occupy high managerial positions. But those who are considered suitable for such positions and would like to take up such work should not surely be denied that opportunity in the name of national interest! Once it is accepted that potential managerial talent may be found to exist amongst people in all kinds of positions and functions in an undertaking, the idea of a 'Management Service' as such will obviously have to be firmly set aside.

#### *Top Managers Have to be Developed :*

(7.19) The natural corollary of this approach is that it is the task of higher management, aided by the Personnel Department, to hunt for the potential future top managers amongst various categories of persons. Once such persons are located, their careers will have to be specially planned in such a way that they get to have knowledge and experience in various kinds of jobs in the organisation and do not for too long remain confined to their original line of work. This is one of the most difficult but also one of the most

vital functions of top management. The nature and characteristics of various management positions and the training, experience and personal qualities required for the incumbents must be defined; the growth potential and the time scale of development of the would-be managers must be assessed; a network of 'training positions' to help these potential managers to grow up to their expected responsibilities must be arranged and the movement of these persons through such positions must be planned. Moreover, at each stage a reassessment of the individuals based on fresh experience may be necessary; some, who were earlier thought to be potentially good for high management jobs, may be later found not to have that potential, or it may be found that their growth would be slower than expected. The whole approach to the problem therefore will have to be much more flexible and experimental than that usual in a Government service.

*Pool of Officers Only Within an Undertaking :*

(7.20) As potential managers will have to be located from amongst all sections—line and staff—of the undertaking, there cannot exist a Management Service as such. There can only be a 'Pool' of officers from different sections who are considered suitable for special training and subsequent appointments to higher management posts. But such a 'Pool', at least in the initial stages of talent location and development, can only be drawn up by the higher management of a given undertaking. Only then will it be possible for persons to be selected with a great deal of careful study and observation and their subsequent career can be so planned as to help their potential talents to develop.<sup>35</sup> As mentioned above, continuous reassessment will also be necessary. It is sometimes even advocated that such potential leaders, though selected by the top management, may not be informed that they have been so selected, at least for some time during which "they are given the opportunity

35. The discussion of the problem of the development of potential leaders in one nationalised industry in the U.K., contained in Chapter 14 of the Report of the Committee of Enquiry into the Electricity Supply Industry, *op. cit.* will be found to be very useful in this connection.

to hold down particular posts and demonstrate whether they have the quality of leadership". All this can be properly undertaken only by the top management of a given undertaking. Thus if this approach to the development of top managerial personnel from within an industry is accepted, the idea of an Industrial Management Service which is common to all public undertakings will have to be definitely given up.

*Practice in Large Private Undertakings :*

(7.21) The practice in large private undertakings supports the approach that has been suggested above. In the case of some of the large managing-agency houses in India which control a large number and variety of industrial concerns, the responsibility for recruiting or locating, developing and promoting managerial talent is squarely placed on the managements of the undertakings. The bulk of the management personnel of individual undertakings grows within one large undertaking or group of similar undertakings for most part of their career. It is true that the managing agents themselves sometimes recruit young talented personnel for managerial work, and make their services available to individual undertakings. But the experience of at least one large managing-agency group about which we have some information indicates that once an officer of this type is allotted to one concern, the management of that concern is very reluctant to let him go to a sister concern on the ground that it has taken pains to develop his talent. Thus the idea of a common administrative or management cadre, where attempted, does not seem to have worked successfully.

(7.22) In the case of large international business concerns, we understand that the practice is to leave recruitment and development of personnel to the regional or national branches. The head office begins to keep watch over the development of personnel only when they have reached an upper middle level in the management hierarchy.

(7.23) Thus in well-organised business concerns of a large size, the approach to personnel seems to be

somewhat like this. The recruitment and development of personnel up to middle management levels is mainly the responsibility of large individual units or groups of units. It is only when personnel reach this level and above that the overall common management begins to take notice of such personnel with a view to their further development and placement in the senior positions in different undertakings. Of course the basic personnel approach and policies are attempted to be kept similar in all undertakings which are under a common overall control.

*Common Panels at Higher Levels :*

(7.24) The approach to managerial personnel in the public sector in India should be essentially similar to this. The recruitment, development and advancement of persons till they reach the upper middle management positions (positions equivalent to Grade III in the I.M.P.) should be solely the responsibility of the individual undertaking provided it is a large, multiplant one such as we are increasingly organising in India. It is only for personnel above this level that it may be necessary to think of an informal 'pool' of senior managerial personnel common to a number of public undertakings. Even here we may think in terms of a common 'pool' of officers only for undertakings which are broadly similar in techniques, size and magnitude or nature of problems. With the increasing tendency in India to organise 'functional' ministries, one in charge of steel and heavy industries, another in charge of consumer goods and other light industries and so on, it may be possible for these ministries to have such a 'pool' and for this purpose to keep track of the development and potentialities of senior level managerial officers in all undertakings under their control.

(7.25) For top-appointments like those of General Managers, full-time Directors, etc. it may also be necessary for some co-ordinating agency in Government, like the Projects Co-ordination Section of the Commerce and Industry Ministry, or the Cabinet Secretariat, to keep track of persons at senior levels in all undertakings who are

known to have potential talent for these high positions. But in both cases this should be done not through the constitution of a formal 'pool', with rigid gradations, fixed seniority, etc. but through the maintenance of panels of suitable names for use when appointments at these levels and of these types are being considered. It would be useful to have such panels, because appointments of this type in public undertakings either require the approval of Government or are directly made by Government. The informal nature of the panel has to be emphasised so that considerations of seniority, etc. may not influence the selection too much and anyway it should not be possible for an officer to represent that he was being superceded.

(7.26) Our approach to building up managerial personnel in public undertakings is therefore that there should be no management service as such. Persons should be recruited by undertakings and allotted to specific functions, technical or non-technical, and they should be expected to remain in the same function at least for some years, and in the same enterprise at least until they reach upper middle management levels. It is only then that they may be considered as belonging to a group or 'pool' which can be drawn upon for manning senior management posts, in enterprises under the same ministry at an earlier stage, and in all public enterprises in common at a later stage of their career.

#### *Problem of Transfer Within the Public Sector :*

(7.27) One advantage that a common service or pool can provide would be that in cases where a person employed in one public undertaking wants to move to another one, he can do so without loss of continuity of service and the resulting advantages, especially in matters like retirement benefits, if he moves while continuing to be a member of the service or the pool. Pensionary benefit of some type is increasingly coming to be accepted as a proper benefit to be provided by a good employer; but many pension schemes are so formulated (the case of Government services in India is a notable one) that a person loses all his accumulated pension



benefit if he voluntarily migrates to the service of another employer before reaching the retirement age.

(7.28) While it would be normal and also desirable in the case of a public undertaking that most of the persons employed under it should continue with it through their whole career, in a rapidly growing economy it is necessary that a certain number of persons, especially from among those in the middle and higher level posts in public undertakings, should be able to move from one undertaking to another. There may be inadequate promotion opportunities in certain undertakings for some categories of personnel who are badly needed elsewhere in the economy. But if public undertakings provide pensionary benefits on the same lines as Government organisations, and a person who moves from one public undertaking to another can only do it at the cost of losing his accumulated pension benefits, a great hurdle will be created in his making such a move. Arrangements like temporary loan of services may not prove adequate. But a common management service is not necessary for meeting this difficulty. All that is necessary is the adoption of a policy by Government regarding movement of personnel from one public undertaking to another. It has already been decided that a public undertaking should as far as possible not withhold consent to an employee who wishes to move to another public undertaking in search of better prospects.<sup>36</sup> In addition to this, it should be decided that when he makes such a transfer with the consent of the original employer-undertaking, he should be given the benefits of 'continuous service', including those like gratuity and retirement pension if they are provided by undertakings. It should not be difficult to evolve arrangements under which this can be done.

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36. Government of India, Ministry of Home Affairs, O.M. no. 70/10/60-Es(A), dated 9th May, 1960.

## VIII. EMOLUMENTS

### *Emoluments in the I.M.P. :*

(8.1) The emoluments of managerial personnel in public sector undertakings are at present closely related to those of personnel in Government services. This is not only because many of the top and middle level personnel in these undertakings are from Government services. The Government exercises considerable control over the scales of salary prescribed in public sector undertakings. The I.M.P. scheme, which was originally expected to provide a substantial proportion of managerial officers in public sector undertakings, can be assumed to indicate the broad policy of Government in regard to emoluments of such personnel in the public sector. It would be worth while therefore to examine the approach to emoluments in the I.M.P. scheme.

(8.2) The scheme tried to avoid some normal characteristics of Government services in this respect. For example, instead of having fairly long scales of pay as in other Government services, a number of comparatively short grades were created in the I.M.P. This is a good thing in the case of business organisations because, unlike in the civil service, sheer maturity and length of service do not add very much to the contribution made by a person to the functioning of a business undertaking. 'A fixed rate for the job' is sometimes suggested as the proper basis of payment in business undertakings. This, however, may be considered as allowing too little for the value to a business concern of a person continuing in its service for a long period. The very fact that he has been in the concern for a long time makes him somewhat more valuable to it because of the knowledge about the particular concern and its organisation, personnel, etc. that he comes to have. Therefore some addition to pay related to the length of service might be considered proper. Hence a number of grades, each consisting of a short range of pays, may be considered

suitable for business undertakings. This ensures that a person does not go on obtaining large additions to his pay just because of the length of his service. He can secure a substantial increase in pay only if he is promoted to a higher grade which is an indication that he is contributing more to the functioning of the undertaking. Short pay ranges attached to grades, the provision that there will be no seniority within a grade and that promotion to higher grades will be based on an assessment of merit and not on seniority are all welcome departures from the normal pattern of Government services. This approach is essentially based on the recognition that not all persons in the organisation have the growth capacity to function satisfactorily at progressively higher levels of management. Because this is so, the pay range given to a man when he is appointed to a particular post has to be limited. To this extent, the I.M.P. scheme has successfully tried to steer clear of some characteristics of a Government service which are likely to be unsuitable for the managerial cadre of a public undertaking.

#### *I.M.P. Emoluments Inadequate :*

(8.3) It is, however, as enlightening to see in what respects the I.M.P. scheme was not able to make any significant departure from the general pattern of Government services. The most important aspect of this is the total range of pay envisaged for managerial officers from the Junior Grade to Grade I. The beginning pay of the Junior Grade is the same as that for all other Class I services and the highest (fixed) pay of Grade I is Rs. 2,750—equivalent to the pay of an Additional Secretary (non-I.C.S.) in the Government of India. It is true that the I.M.P. was made a pensionable service and in that respect was similar to other Government services. But in many other respects, the conditions faced by an officer working in a public undertaking are different. As regards career prospects, an I.A.S. officer of average competence is bound to rise to the senior scale of the I.A.S. in his sixth year of service (or earlier) and, over a definite period of time, increase in pay at least up to Rs. 1,800 is guaranteed to him. But in the case of

an I.M.P. officer, there is no such definite prospect of a rise. The scheme envisaged, and rightly, that he will be judged anew every time before he moves to a higher grade, the promotion being dependent on his competitive merit as well as on the availability of higher positions. Even the annual increment is not automatic in his case; he can only get it as the result of a definite decision by his employer-undertaking in that regard. This may also be considered to be a proper step. But then, to compensate a person for these uncertainties about his career prospects, was it not essential that the prospects before him if he was found to be good should be better than the prospects of an officer of another service who did not have to face any such uncertainties?

(8.4) Then consider the nature of the work. Unlike most other Government servants, a managerial officer in a public undertaking would have a job the success or failure in which could be more definitely measured by comparatively simpler yardsticks. He will have to manage large numbers of well organised workers and get their co-operation in successfully carrying out the functions of his undertaking—and this without the sanction behind him of the sovereign state which a Government officer enjoys. Many times he will be expected to live in comparatively undeveloped regions for years and years because, unlike an I.A.S. officer, he cannot normally expect postings in State or Central capitals at certain points in his career. These exacting conditions of work also indicate that his pay prospects should be better than in Government services.

#### *Implications of a Mixed Economy :*

(8.5) A further consideration arises because of the fact that India has and will continue to have a mixed economy under which public and private undertakings will continue to exist and grow side by side. Therefore for securing and retaining the most talented personnel, public undertakings will have to compete with private undertakings. The implication of this for the salary policy in public undertakings is clear; salaries paid by public undertakings have

to keep in line with those paid by large-sized, well-reputed private undertakings. One approach to the problem could be that the Government should control the salaries in private undertakings; in that case, salaries in public undertakings need not be increased so as to ensure that the latter get a proper share of the available talented personnel. Many authorities, including the Estimates Committee of Parliament, have made some such suggestions. But the Government has decided that it is not practicable to do this.<sup>37</sup> In that case, unless public undertakings are to be content with securing the second-best personnel, they will have to pay salaries which compare fairly well with those paid by private undertakings.

(8.6) An argument is sometimes put forward that an All-India Management Service may be able to secure the services of talented personnel even at somewhat lower salaries. This is to some extent true for the normal Government services—partly because of the security in service, including virtual certainty of reaching a high salaried position by virtue of seniority, and partly because of the traditional status of the services. But in the case of the management personnel, as we have already noted above, this sort of security cannot and should not exist and the traditional status of the I.A.S. they cannot come to have. It is sometimes claimed that a public undertaking, by virtue of its public ownership, will be considered as a much better and fairer employer and therefore will attract the better personnel at somewhat lower salaries. While there may be a great deal of truth in this if public undertakings are compared with many of the small and medium sized private undertakings, that would not be the case if the comparison is with large modern private business undertakings, especially those with part or full foreign ownership or those which are developing vigorously in new fields like engineering, chemicals, etc. These undertakings have at least, as

37. See in this connection the reply given by Shri B. Gopala Reddy, Minister of State in the Ministry of Finance, on behalf of Government in reply to a debate on Shri Bhupesh Gupta's Bill proposing a ceiling on salaries in the private sector—*Rajya Sabha Debates*, Vol. XXXII-II, Manager of Publications, Delhi, 10th March, 1961, Cols 2464-2478.

fair an approach to the employee as any public undertaking. Moreover they provide, in addition to higher starting salaries, a number of perquisites not available to employees in public sector undertakings. It is true that in spite of these attractions, there may be preference in the minds of at least a certain proportion of talented persons for employment in a public undertaking, because they would then have the feeling that they are serving the public interest and not some private interest. But should we continue to base our policy in this regard on the uncertain assumption that there would be a sufficiently large number of talented persons who would have such a preference—and that the preference will continue through their life-time? Because even if a young man has such a preference at the beginning, it is doubtful whether he will continue to have it when he finds that for doing the same type of work, he is offered a much higher reward if he goes to a private concern.

(8.7) We should not forget that persons who obtain experience of industrial management and show themselves to be talented in that field will continue to be in increasing demand in the years to come; and the better class of private sector undertakings take the approach that it pays to secure the best available personnel even if higher salaries have to be paid. Unlike officers in normal Government services, only the most talented amongst whom, and at the highest levels, will be in demand from private undertakings, proved officers with managerial experience in public undertakings will be directly in demand at all except perhaps the juniormost levels. The risk of the flight of such personnel could conceivably be reduced to some extent if the service is made secure and pensionable with the usual condition as in Government that a person loses all his pension rights if he quits midway. But then all the other disadvantages of that type of service will have to be accepted. Moreover, even the loss of pension rights will not stand in the way of persons who are outstanding and therefore can obtain a considerable increase in pay by shifting to a private sector undertaking and this would be especially so in the case of persons who are not very much advanced in age or service—say, persons

between 30 and 40 in age. It is in this group that the salaries offered by private sector concerns are much better than those offered by public sector undertakings.

(8.8) The fact that the real total incomes for the highest managerial positions in large private undertakings are far higher than those in public undertakings would provide further encouragement towards such a shift by talented personnel, though it is true that such positions are not very many in number. The best talent in any country is limited. In India, because of the slow growth in educational opportunities on the one hand and the rapid economic growth on the other, this will be even more so for many years to come. There is bound to be considerable risk to the successful functioning of public undertakings if the salaries of managerial personnel there are kept much below the levels prevalent in private undertakings.<sup>38</sup>

*Private Sector Salaries Important in Determining Emoluments:*

(8.9) Thus the fact that we have accepted a pattern of economy in which public and private undertakings would exist side by side and the Government's unwillingness or inability to control the emoluments paid by private sector undertakings compel us to the conclusion that salaries for executive or managerial positions in public undertakings should be fixed in such a manner that they are not far out of tune with salaries for similar personnel paid by large private undertakings enjoying good reputation. If reduction in inequalities is an important social objective, there are other ways of moving towards it in a mixed, but increasingly planned, economy.<sup>39</sup> But to try to implement this

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38. The Second Pay Commission gave some thought to this problem in connection with the salary scales of employees in Government services proper. The information and arguments put forward by them largely support the point of view expressed here. Their conclusion in respect of Government services was that the highest salaries in Government services should not be reduced. The case of managerial personnel in public undertakings was not considered by the Commission. See Report, *op. cit.*, pp. 76-87.

39. Steeply progressive income taxation, including taxation of payments in kind—perquisites—would be one method of doing it. Preventing scarce resources from being used for the production of luxuries could be another. This could be achieved through the use of regulations such as those regarding licensing of industries, allocation of scarce materials and foreign exchange, etc.

objective through keeping the higher level salaries in public undertakings at a level significantly inferior to that in private undertakings would only ensure eventual failure for the public sector. The salaries in public undertakings need to be related to salaries in comparable private undertakings much more than to those in civil services.<sup>40</sup> Unless this is done, it would be difficult for public undertakings to recruit and, what is more important, retain their best personnel.<sup>41</sup>

(8.10) The policy of keeping the salaries in public undertakings in line with the civil service and therefore much below those in private undertakings is likely to be troublesome from another point of view, if it leads to the depletion of talent from public undertakings. With the industrial policy that the Government of India has accepted, the industries most vital and basic to economic growth would be in the public sector. Any inefficiency in their development or functioning is therefore likely to have a specially damaging effect on the economic growth of the community. In the U.S.S.R., the policy has been to pay higher rates of salaries and bonuses to those employed in basic industries. Our present policy is likely to lead exactly to the opposite result.

#### *Civil Service Pattern Unsuitable :*

(8.11) Even in pursuing the civil service pattern of salaries, the highest salary in the I.M.P. was put at Rs. 2,750 and not at Rs. 3,000 which is expected to be the highest civil service salary now (except for I.C.S. and similar special cases of pre-independence cadres). Thus even the top-most position in public undertakings is expected to carry

40. In the U.K., for example, the salaries of the personnel in nationalised industries have no special relationship with civil service salaries. Only recently, to obtain an effective top executive of a private concern to work as the head of the nationalised railways, a salary of £24,000 has been granted.

41. One of the reasons why Government has not been able to secure the services of persons with long experience of industrial management for the top positions in public undertakings is obviously this limit on top salaries; naturally therefore only persons from the civil service are available for manning these posts. While some of them have proved to be capable managers, others, alas, are occupying these positions only because better persons are not attracted by the salaries provided. In this connection, see the remarks made by Shri Sudhir Ghosh, M.P., in *Rajya Sabha Debates*, Vol. XXXII-II, Manager of Publications, Delhi, Cols 1459-60.



a salary lower than the highest civil service salary.<sup>42</sup> This is markedly different from the situation in countries like the U.K.

(8.12) An objection to public undertakings paying rates of salaries much higher than those prevalent in the civil services would be that it will reduce the attraction of the civil service and make it difficult to obtain good recruits for it. This may not happen to any significant extent because the type of person who is attracted to the civil services is not always the type who will be attracted to managerial work in public undertakings, with the lack of certainty about prospects and the different nature of the work involved.

(8.13) It is essential that the functions and nature of public undertakings being in many ways significantly different from those of Government, the whole approach to personnel policy in the former should be different from that in the latter. Public sector undertakings should base their personnel policy mainly on the lines established in business management all over the world on the basis of long experience and intensive thinking and study. This involves on the one hand the purposive use of incentives for attracting and retaining good personnel and obtaining the best possible performance out of them and on the other hand a high degree of ruthlessness in cutting away dead wood.

#### *Importance of Proper Incentives :*

(8.14) The system of incentives for managerial staff is too large a subject to be discussed here in detail. It

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42. It is understood that some changes in this policy are now under consideration: "In order to draw competent officers from the administrative, secretariat and allied services to serve in projects, certain suitable incentives including pay scales have been evolved. Concessions such as benefit of medical attendance on the same scale as available to officers working in Government departments, and other non-financial incentives in the form of proper rank and status will also be given to such officers who are deputed to projects. The question of providing suitable incentives to officers serving in areas where living conditions are unattractive in the matter of securing proper medical aid, educational facilities for children and other amenities is also being considered."—*Report of the Committee on Administration on the Progress of Implementation of Government of India's Decisions on Administrative Improvements*, Cabinet Secretariat (Department of Cabinet Affairs), Organisation and Methods Division, para. 7. The Report was placed in the Library of Parliament on May 17, 1962.

only needs to be mentioned that there is considerable support in all parts of the world to incentive payments to personnel operating in business undertakings. Whether in the U.S.A. or in the U.S.S.R.,<sup>43</sup> it is accepted that the prospect of payment based on some measure of performance is a definite spur to better effort. Unless we assume that personnel in our country is very differently made than that in other countries, it would be proper for public undertakings in India to adopt a system of incentive payments to its managerial staff. This will ensure higher emoluments to those who are successful and thus help to attract and retain talented personnel. At the same time, the additional payment would have some—however roughly calculated—relationship with the additional contribution made by the personnel receiving it. Monetary incentives for officers may take the form either of variable increments or bonuses or a judicious combination of both.

(8.15) It is true that non-monetary incentives are also important spurs to better performance. Public recognition of managers who have performed their functions exceptionally well has not yet been properly organised in India and if this is done it will no doubt be of help. But non-monetary incentives can only be complementary to monetary incentives; they cannot be a substitute.

(8.16) On the other hand, service in public undertakings should not carry with it the security that goes with Government service. Promotions, as we have said above, should go much more on the basis of proved competence for the higher job and no one should feel that a certain high level of position and salary is certainly his, however mediocre his performance. While discharge for inefficiency may not be socially desirable, demotion—or at least stagnation—

43. See in this connection—(i) H.W. Steinkraus: 'Motivating', in H.B. Maynard (ed.), *op. cit.*, p. 354; (ii) J.S. Berliner: *Factory and Manager in the U.S.S.R.*, Cambridge, U.S.A., Harvard University Press, 1957, pp. 25-56; (iii) D. Granick, *op. cit.*, Chapters IX and X; (iv) R.W. Campbell: *Soviet Economic Power: Its Organisation, Growth and Challenge*, Cambridge, U.S.A., Houghton Mifflin Company, 1960, pp. 114-144; the Soviet approach is of course well known and it is understood that a team of Soviet experts has recently recommended a scheme of incentives for Indian industries where they support incentive payments for managerial staff.

should be normal in cases of failure in performance. If this approach is accepted, no one will grudge the payment of emoluments in public sector undertakings which are higher than those in Government services.

*Conclusion :*

(8.17) Our discussion of the problem of emoluments for the managerial personnel in public sector undertakings reiterates our earlier conclusion that the pattern of existing Government services would not be suitable for these personnel. The approach to their employment and conditions of service has to be different from that in the Government services. While the total range of emoluments will have to be laid down by Government, and there will have to be a certain uniformity in the sense of ensuring equal rates of emoluments for similar jobs, in determining emoluments, the existing pattern in private sector undertakings will have to be given much greater weight than is done in the case of Government services or even in public undertakings at present.

## IX. RECRUITMENT, TRAINING AND DEVELOPMENT

### *Basis of Recruitment :*

(9.1) Recruitment for the potential managerial group can take place in two ways. One way would be to recruit young men on the basis of their general qualities of personality and intelligence irrespective of their immediate suitability for particular functions. The other would be to take into account this latter factor also so that immediately after recruitment they can be assigned specific functional jobs in the undertakings.

(9.2) There are a number of business concerns, both in India and abroad, who follow the first mentioned policy for recruiting potential managerial talent. Young men with high intelligence and the necessary kind of personality are chosen as 'management trainees' and it is from these that the management expects to secure the bulk of high managerial talent for the future. The approach is that once you secure this kind of first-rate talent, such persons can be easily trained to do any specialised jobs that may be assigned to them. Whether it is sales, personnel, or any other kind of work that the undertaking wants him to do, a first-rate man can pick up the necessary techniques within a short time. What should be looked for, it is said, are qualities of mind, character and spirit; technical competence can be easily acquired. Anyway, those among this group who continue to show promise do not remain in the particular specialisation for very long, and are given special job-rotations and work-assignments which are expected to ensure their development for holding high managerial positions.

(9.3) This is an approach similar to that underlying the policy relating to the higher civil services both in India and the U.K. As mentioned earlier, some private undertakings in India follow this policy. Recently, public undertakings like Hindustan Steel, the Life Insurance Corporation and others have followed a policy of recruiting young men

for a management cadre on the basis of a general competitive examination broadly similar to that held by the U.P. S.C. for recruitment to the All-India and Central services.

(9.4) The alternative approach is that it is not possible to recruit a young man as a managerial service officer in general but only as a person who can fit in a particular functional post. The basis of recruitment has to be different from that used in India for recruitment to most of the non-technical services under Government. Recruitment will have to be based on the specialised qualifications acquired by the person which make him suitable for specific functional duties. Persons who have already been trained in accountancy would be recruited for accounting work, those who have been trained in personnel management or labour relations for those jobs and so on. Specialised training in many of these aspects of management is already being provided in some universities and other institutions of higher learning and more institutions for providing such training are being established in the country.

(9.5) Such recruitment will ensure that persons who are appointed at a junior executive (or officer) level for these jobs would have the essential training in theory as well as elementary practice in these various fields of management. This will be helpful because post-entry training in the very foundations of the functional specialisation will not have to be provided by the undertaking and the recruits will be more capable of learning further specialised or advanced techniques in their particular fields because of the education they would have already received. Moreover, the fact that they had taken a particular specialised course of education would be an indication that they have some aptitude and liking for that kind of work. The system of recruiting persons purely on the basis of their general intelligence and then trying to provide them training in the particular function to which they are allotted would not have either of these advantages. Most management functions are now getting to be more and more complex and require a great deal of specialised training for their effective performance. Over-reliance on brilliant amateurs is likely to prove

troublesome in the efficient operation of modern undertakings. It is as necessary to recruit already specialised personnel for the so-called 'non-technical' functions as for the 'technical' ones.

(9.6) These two approaches need not be treated as mutually exclusive in all respects. Even in undertakings which recruit 'management trainees' on the basis of a general test of intelligence and personality, persons are also recruited at similar levels on the basis of their specialised qualifications. For junior executive posts in functions like accounting and industrial engineering, most of the personnel is recruited on this basis. This does not mean that their general intelligence and personality is not tested. But, in addition to this, it is ensured that they are proficient in the theory and techniques of the specialised function for which they are recruited. Moreover, the persons who are recruited as 'management trainees' are allotted to particular functions within a short time after their recruitment and initial training and they are expected to remain in those functions for some years. Only if they go on showing promise of a generalised capacity of management are they picked up after this period for special development as potential managers. But similar is—or should be—the case with persons who have been initially recruited for specialised functions, whether they are 'technical' or 'non-technical'.

(9.7) It seems to us that recruitment will have to be based on both these approaches. As the number of functions which require for their efficient conduct persons with specialised knowledge of the appropriate theory and techniques increases, and as the facilities for such specialised training expand, it will obviously be better for an undertaking to recruit for these functions persons who have received such specialised training. It will be futile for an individual undertaking to attempt to provide specialised training in such functions on its own; an educational institution specially set up for that purpose can do it much better. Thus no undertaking now considers it worth while to take up non-specialised persons and train them as accountants; it is considered much better to recruit trained accountants. We

think that this will be increasingly true of some other functions like personnel management, sales, purchase, stores, etc.

(9.8) It is unlikely however that in the near future there will be enough expansion of specialised training facilities in all non-technical business functions to provide trained personnel to satisfy the needs of all undertakings. Moreover, in the case of certain functions, an undertaking may consider that the specialisation required for carrying out the particular function has to be specifically suited to its own requirements and therefore it may prefer to recruit young men with the necessary character and intelligence and train them as required.

(9.9) A further and important reason for recruiting at least a few persons on this basis is that some first-rate talent may become available to an undertaking through this method. An undertaking which desires to remain continuously efficient should not only have professionally competent specialised personnel for running the present machine but also at least some who can rise up to the challenge of the uncertain and unknown problems of the future. While some among the specialists may possess this rare quality, it is quite likely that persons who have had an essentially liberal education may also possess it, perhaps to a higher degree. From this point of view, "the ablest young graduate is a valuable potential asset whether he majored in history, philosophy or mechanical engineering".<sup>44</sup> An undertaking in search of potential talent must therefore pursue a method of recruitment which enables it to select persons who after a first class university career devoted to the pursuit of pure learning decide to take to work in business undertakings as a career. It goes without saying that none but the very best in this category can serve the purpose indicated above.

(9.10) Our conclusion in this respect therefore is that recruitment for junior executive positions should be made both on the basis of a general test of intelligence and character

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44. J. Douglas Brown and Frederick Harrison: *High Talent Manpower for Science and Industry*, Princeton (U.S.A.), Industrial Relations Section, Princeton University, 1957, p.23.

and on the basis of specialised knowledge. The proportion of those recruited on the basis of their specialised knowledge would increase as the supply of specialised trained personnel increases. However it would [always be necessary to recruit at least a few young men who may not have any specialised knowledge immediately useful to the undertaking but who are outstanding in intelligence and character. Only such a double-pronged approach will help the undertaking to cast its net wide so as to have enough personnel for location and development of future top-management.

*Training and Development :*

(9.11) If recruitment for most jobs at the junior executive (or officer) level is made on the basis of the specialised knowledge that the candidate has acquired during his educational career, there will be no necessity to provide a prolonged period of training for him immediately after his recruitment. He could be put on the job and trained for the particular function that he is to perform within a few months. All that would be necessary would be to provide a proper 'induction' to the concern and perhaps a short 'initiation' course. This would be of advantage because a young man coming out of a university is really keen on getting on with a job and learning in that process rather than in prolonging his student status through another long course of training. No doubt it will be necessary to train him further both in his specialisation and in the general problems of management; but that can be done by sending him for training after he has put in one or two years of work in the undertaking. He would also be more capable of learning further after such a period of work-experience than immediately after completing his university studies. In the case of young men who are recruited on the basis of their general ability, but who have had no previous training in any specialised function, a longer period of initial training to fit them for the function to which they would be first assigned may however be necessary.

(9.12) It also needs to be realised that it is not only young officers who require training. Every person gets



stale after a few years of continuous work and refresher courses should be periodically provided almost throughout the career of a man. Moreover, as a person moves to jobs of greater responsibility, whether in his own specialised functional line, or in a wider area, he will require special training. Large undertakings should be able to provide some of the training courses through a training establishment of their own. They may also make use of the courses provided by bodies like Management Institutes and Associations, the Administrative Staff College, the National Productivity Council and the Indian School of Public Administration.

(9.13) Public undertakings have certain special problems which are different from those faced by private undertakings. In objectives and approach, they may significantly differ from the latter. For helping officers from public undertakings to learn the different approach and objectives and to enable them to solve their special problems, it may even be worth while to organise special refresher courses exclusively for such officers either in the existing institutions or by setting up a special institution for the public sector. However, the main responsibility of training will have to be borne by the undertakings themselves and no outside institutions can release them from this burden.

(9.14) Training through formal courses is only one of the various methods of helping the development of a person. Training on the job is very important and the immediate superior has to play a vital part in it. Job rotation and special assignments are other methods of developing persons who are found to be potentially capable of high level managerial work. A proper system of appraisal to assess the potentiality of a person, and a carefully worked out programme of training, job rotation and special assignments are essential if an undertaking is to ensure that talented managerial personnel is available to it as and when required. This is one of the vital functions not only of the personnel department but also generally of the top management of the undertaking. This does not seem to be receiving adequate attention in public undertakings at present.

### *Common Recruitment?*

(9.15) Common recruitment for all public undertakings is sometimes advocated on the ground that it will be convenient and economical. Instead of each undertaking setting up its own recruitment organisation, it is said, there could be common recruitment for all public sector undertakings. This could be helpful for efficient recruitment because in a large-sized recruitment agency, it would be economically possible to make available specialised personnel and equipment and therefore modern methods of selection could be used. The intending candidates will also save time and effort in that they would not have to apply separately to various undertakings and, if called, to appear for a number of separate interviews and examinations. It is also thought that such a common central agency would be more impartial in its judgment and there would be less scope for nepotism and various kinds of favouritism.

(9.16) There is considerable strength in these arguments. But, as against this, we have to consider various other important points. As it is, with the large scale of educated unemployment in the country, the number of applications received by even an individual undertaking when it calls for applications is quite large and runs into hundreds and sometimes into thousands. If common recruitment is attempted for all public sector undertakings, the number of applications might be overwhelming. If the experience of recruitment to the I.M.P. is any guide, there would be a long delay in making selections. If all candidates are to be tested and interviewed by the same group of persons, which is obviously essential in the case of common recruitment, the time taken for selection is bound to be long and even then it may not be possible to provide adequate time and attention for testing each candidate.

(9.17) There would also be the problem of allotting candidates among different undertakings. All undertakings may lay claim for the top-rankers and none may be willing to absorb those who stand low in the merit list. The candidates' own preferences will have to be matched with those of the undertakings. Though such difficulties, are

certainly not insuperable, they could give rise to problems similar to those which arose in the case of recruitment to the I.M.P. and the net result may at least be to delay the process of selection and appointment.

(9.18) On balance therefore it would be better to leave recruitment of officers to the individual undertakings. This will have the great advantage that the responsibility for selection will rest squarely with the top managements of the undertakings. In case of failure, they will not be able to plead that the officers allotted to them were not such as they would themselves have selected.

#### *Lateral Recruitment :*

(9.19) We have already stated that lateral recruitment may have to be resorted to when it is found by an undertaking that there is no suitable person available from within the undertaking to hold certain jobs at the middle or higher levels. In an older enterprise, this should not happen too frequently; otherwise it would be an obvious indication that the top management is failing in its function of personnel development. But in a new undertaking, in the early years of its career, resort to lateral recruitment may have to be quite frequent.

(9.20) The number of persons who have the necessary qualities of intelligence and character and who have the kind of experience required is not large in India and it may not therefore be easy to secure such persons. One obstacle to the movement of such persons from private sector undertakings to public sector undertakings has been the considerable disparity in remuneration, especially at the middle levels. Changes in remuneration policy which have been suggested earlier in the study should reduce this difficulty to some extent and a certain proportion at least of the persons required to be recruited laterally should then be available from this source.

(9.21) Because of the difficulty in attracting persons from the private sector, public undertakings have had to rely up to now almost entirely on various Government services

for meeting their needs of middle and higher level personnel. Even if as a result of improved remuneration a certain number of persons are attracted from the private sector in the future, Government services will continue to remain an important source of lateral recruitment in public undertakings for some years to come. As these services have attracted some of the best talent in the country, it is quite useful that some officers from these services should be made available to public undertakings. It is however necessary to ensure that the officers to be selected for service in public undertakings are carefully chosen. It is especially necessary to ensure that they have the intelligence and flexibility necessary to learn the procedures and techniques involved in working in a business undertaking.

(9.22) It also needs to be emphasised that after a period of trial, covering a short but intensive period of training as well as a period of operational experience, the officer should be asked to make a definite choice between his parent service and service in a public undertaking. An officer who continues to look upon his service in the public undertaking only as a stopgap arrangement before he secures a higher post in his parent service is not likely to be of much use to the undertaking. It is necessary that officers recruited from Government services should be absorbed in the service of the undertaking just like officers recruited from private undertakings. As suggested earlier in the case of officers moving from one public undertaking to another, the benefits of 'continuous service' should of course be guaranteed to Government officers who join the service of a public undertaking.

#### *Problem of Small Enterprises :*

(9.23) In all our discussion up to now, we have assumed that public sector undertakings are already—or will be increasingly—organised in such a way that each undertaking which is set up as a separate legal entity will be a large one, generally consisting of a number of units vertically or horizontally related to each other. The setting up of Hindustan Steel, the Fertiliser Corporation of India and the Shipping

Corporation of India already indicate the acceptance of this approach by Government. The Planning Commission has indicated that this is likely to be the pattern of organisation in the future also.<sup>45</sup> Each Group-Undertaking in this pattern of organisation will normally be large enough to enable recruitment, training and personnel development to be efficiently organised and carried out within it. Each undertaking would also be large enough to have a sufficient personnel base for providing internally the bulk of the talent required for higher management positions and also, as a corollary of this, provide enough scope for the advancement of its high-talent personnel. It is on this assumption that we have discounted the idea of a common management service for all public undertakings.

(9.24) Even new units in the public sector, under this approach, would be set up under the overall control of some Group-Undertaking; the fact that the Bokaro steel plant is being set up by Hindustan Steel and other similar examples support this assumption. Therefore the problem of finding various kinds of managerial personnel for the new units will be an internal problem for the Group and it can be solved by the management of the Group mainly through a proper personnel development and placement plan. That is the reason why the constitution of a management service common to all undertakings is not necessary in order to meet this problem.

(9.25) In case, however, some small enterprises in the public sector remain independent entities, either because they are being set up in an entirely new field of activity<sup>46</sup> or for any other reasons, they may find it difficult to manage recruitment, training and development of personnel on their own. In such a case, it may be necessary for them to make use of a common agency which could take care of some of

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45. Government of India, Planning Commission: *The Third Five Year Plan*, Manager of Publications, Delhi, 1961, p.266.

46. Even then the proper solution may be to include them in a related Group to begin with and later on when the number of such units increases, to split them to form a new Group. See H.K. Paranjape, "State Enterprises: Co-ordination and Control", *The Indian Journal of Public Administration*, Vol. VII, No. 4, pp.528-562.

these problems in an efficient way. It would be a case of 'vertical disintegration' of a particular function because of the large scale on which it has to be organised for the sake of efficiency.<sup>47</sup>

(9.26) The common agency could be organised in any convenient manner. If there are a number of such enterprises working in one region, they could co-operatively set up such an agency. Alternatively, if they are all under one ministry or department, the ministry or department could help them to set up a common agency. Or they could even make use of the service-agency set up by another public or private undertaking on a contract basis for recruitment and training purposes. As we have already stated, such enterprises may be faced with the necessity of going outside of their own personnel for securing top level personnel more often than large undertakings. They may also lose talented personnel who find that they do not have enough scope for growth or advancement in these undertakings. These are the inevitable costs of small size. But it would not be proper for the whole personnel policy for the public sector to be based on the special needs of a few such exceptional cases.

#### *Necessary Safeguards :*

(9.27) While the authority for recruitment, training, development and promotions should be given to the managements of public undertakings, certain safeguards will have to be provided in order to ensure that this authority is not abused, and that there is no public suspicion that it is being so abused.

(9.28) Firstly, it is obviously essential that all public undertakings adopt broadly similar remuneration plans. This is necessary in order to ensure that they do not compete for personnel by offering different salary-rates. There should be some organisation in Government which would lay down the basic principles of remuneration and indicate

47. See E.A.G. Robinson: *Structure of Competitive Industry*, London, Nisbet & Co., 1950, pp.110-113.

the proper rates for jobs of different types, levels and responsibilities. Of course, as different undertakings operate in quite different fields of technology, and as their size as well the nature of organisation are bound to show significant differences, the application of these principles and remuneration plans will have to be left to the undertakings, subject to a general check by Government to see that they are broadly in conformity with the principles laid down.

(9.29) Secondly, it is especially necessary in the case of public sector organisations that their recruitment and promotion should not be open to the suspicion of nepotism of any kind. The Government cannot but make sure of this because it is ultimately the Minister who is answerable to Parliament for any allegations against a public undertaking. For maintaining good relations with the Parliament and the public as well as good morale within the organisation, it is essential that such methods and procedures are adopted as would minimise any such suspicions.

(9.30) If proper persons are selected as top-managers and given the necessary independence and authority and if they also know that they are going to be held responsible for the success (or failure) of the enterprise (which can only be effective if they are expected to remain with the enterprise for a sufficiently long period of time), they themselves will be careful to avoid wrong selections. It is however also necessary for Government to insist on a proper machinery for recruitment as well as promotions being organised by the undertakings. Recruitment as well as promotion boards already exist in a number of undertakings for recruitment and promotion at various levels. They will have to be set up where this has not already been done. As the importance of personnel management gets to be better understood, and properly staffed personnel departments are set up by undertakings, these will provide the necessary expert assistance in the process of selections. In order to remove any possible public suspicions, it may be worth while to associate with these boards or committees some well-known but disinterested persons who, because of some special

experience, can be expected to have good judgment in such matters and in whose impartiality and integrity, there would be general confidence. Chairmen or members of public service commissions, senior university men, administrative officials or management experts can be indicated as some of the types who could be useful in this way. It would be better not to associate with this process politically active persons, even though it may be tempting sometimes to associate a Member of Parliament or a member of the local legislature in order to keep such persons on the right side of the undertaking. Such persons, by the very nature of their activities and field of work, are likely to have interests which would not always be the same as those of the undertaking. Moreover, as present or potential members of legislatures, they have in a sense to sit in judgment over the undertakings. It would be better therefore not to confuse the two roles. This is a point worth special mention because association of public men with selections has in some cases been taken to mean association of such persons.

(9.31) Thirdly, it is necessary in a public undertaking to provide proper safeguards against possible injustice or victimisation. A proper procedure for review and reconsideration of any decision imposing punishment on an employee, if the employee prefers an appeal against it, is therefore essential in every public undertaking. For reasons explained above, the Government will always have to make sure that such a procedure is in operation. Further, in the case of higher level personnel, it would be useful to keep open the prospect of an ultimate appeal by an aggrieved employee to Government though the Government will have to be very careful to see that in its handling of such cases, proper attention is paid to considerations both of efficiency and justice and that the morale of the management of the undertaking is not damaged. It is especially necessary to ensure that short-term political considerations do not influence the Government's decisions in such cases.



## X. CONCLUSIONS

### *Main Objectives of Scheme Not Achieved :*

(10.1) The problem of building up the managerial personnel for public sector undertakings has been engaging the attention of the Government, the Parliament and the public for more than ten years. A suggestion that received considerable support was the creation of a Management Service. This led ultimately to the creation of the Industrial Management Pool.

(10.2) Our examination of the scheme has indicated that though in some important respects it made welcome departures from the normal pattern of Government services, there were a number of features in it which, though they were in keeping with the approach and traditions of Government services, were unsuitable for the managerial personnel in public undertakings. The actual working of the scheme has also proved that even in respect of those aspects where a businesslike approach had been adopted, the influence of Government traditions has been too strong for this approach to make a significant difference in practice. Our study provides a number of examples of this.<sup>48</sup> For the sake of uniformity, one year's probation was, for example, insisted upon even in the case of officers who were working in the same posts to which they were appointed after joining the I.M.P. There have been few cases of variation in probationary period on the basis of the individual record of an officer. Similarly, increments have been stopped in few cases and there has been no case of double increments and only one very exceptional case of accelerated promotion. The delays in the process of selection and postings have been inordinately long. The direct recruitment by undertakings to positions which I.M.P. officers hoped to get without these officers getting an opportunity to be considered for the selection, the lack of fresh recruitment to the Pool and the

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<sup>48</sup>. See Chapters IV and V above.

resulting uncertainty about its future have created apprehensions about their future in the minds of I.M.P. officers. The high expectations with which many of them joined the Pool have not been satisfied, and one cannot expect their morale to remain very high under such circumstances.

(10.3) The I.M.P. was an attempt at compromise between two ideas—one, of setting up a full-fledged management service for all public undertakings, and the other, leaving the recruitment of personnel entirely to the managements of the undertakings. The former approach, though it received considerable support in Government and Parliament, was not acceptable to many managements of public sector undertakings. It was however felt that some attempt should be made to have a group of good and experienced managerial officers available for posting in enterprises which found that they were in need of such personnel. It was neither possible nor desirable only to rely on existing Government services to provide the large numbers of experienced and mature managers required. A significant proportion had to be attracted from private sector firms. It was also probably felt that such persons will be attracted more to a pool sponsored by Government than to individual public enterprises. Therefore the Pool was constituted with an authorised initial strength of 200 and it was expected that there would be no difficulty at all about absorbing these persons in the rapidly growing public sector.

(10.4) However, due to various reasons which we have already discussed earlier in the study, the scheme ran into difficulties. In spite of about one-third of the selected candidates rejecting the offer of appointment, positions could not be easily found for the others and a great deal of persuasion had to be used to ensure the absorption of some of those who were selected. One would have expected that there would be a real dearth of persons with business experience for filling higher level positions in public undertakings. But few senior persons were attracted to the Pool from the private sector. This may have been due to the emoluments offered. Perhaps the insistence that every candidate must apply through his existing employer also

kept away a few who might have liked to be considered. Anyway, the immediate purpose of constituting the Pool, viz., to attract a large number of senior and experienced managerial personnel for meeting the growing requirements of the public sector, was not achieved through the initial recruitment to the Pool. Not only was no candidate selected for Grade I but even for the next two grades, only 10 persons could be selected.

(10.5) The other main purpose of constituting the Pool was to make a beginning in the direction of building up a common cadre of managerial personnel who will in course of time be capable of holding the increasing number of top-management posts in the public sector. A good beginning towards the attainment of this objective was made in the initial recruitment to the Pool in that a certain number of persons with some managerial and business experience became available for appointment to the middle and lower grades (40 for Grades IV and V, and 81 for Grades VI and VII and the Junior Grade). Over 68% of those who joined had managerial experience of some kind, 50% being drawn from the private sector. Some of these officers have proved their worth and have already been promoted to the next higher grade. Some important positions in the public sector are being successfully held by I.M.P. officers. But the number of I.M.P. officers has remained very small as compared to the total number of managerial positions in public undertakings. Due to the difficulties experienced in the absorption of the initial recruits, the Controlling Authority has not been keen on further recruitment. The participating ministries and enterprises have also not come to look with favour on fresh recruitment to the Pool and do not seem to feel any need for additional officers from the Pool. Therefore not only has the authorised strength of the Pool not been reviewed and increased as originally contemplated in the scheme but there has also been no attempt to raise the actual strength of the Pool to anywhere near the authorised strength. The actual strength has remained at a level much below the authorised strength, and with gradual departures from the Pool, it has been declining further. The Pool has

thus become stagnant. It would not therefore be wrong to say that the Industrial Management Pool scheme has up to now not succeeded in achieving its main objectives.

*Reasons for Failure :*

(10.6) The reasons for the failure of the scheme in fulfilling its main objectives have already been extensively discussed earlier and we need not repeat them. Briefly, the main reason was that the scheme fell neatly between two stools. It suffered from most of the rigidities and other defects of a Government service without providing any of its advantages. On the other hand, it did not have the flexibility that recruitment by individual public enterprises can have.

(10.7) The scheme also suffered because of the lack of an effective authority for implementing it. No additional machinery was built up to any significant extent for operating the scheme. The administration of the Pool remained one of the many responsibilities of the Establishment Officer of the Government of India. He was assisted in this work only by a small complement of office staff. As it happened, the authorities had to concentrate their attention mainly on getting the selected candidates absorbed and, later, on routine administration of the Pool. By the very nature of the scheme, they could act effectively and operate certain provisions in the scheme, like those relating to new recruitment, provision of new job opportunities for existing officers when there were vacancies in various undertakings and development of these officers by providing training, job rotation, etc. only through the willing co-operation of various enterprises. This was not forthcoming.

(10.8) The result was that many such provisions in the scheme have never been effectively implemented. Not only has there been no fresh recruitment, but there has also been no compulsory notification of vacancies by the undertakings to the Pool authorities so that the Pool officers as such have not been considered for the vacancies arising in the undertakings. As the difficulties in operating the scheme and the unwillingness of enterprises to co-operate

became apparent, there seems to have developed a general loss of interest in it. It became like an unwanted baby, neither the Controlling Authority nor the individual enterprises feeling really and fully responsible for its success. Even though there has been no formal decision to that effect, implicitly the scheme has already been put for all effective purposes in cold storage.

*Future Course :*

(10.9) There are three courses of action open to Government now: (i) to continue the scheme and implement it more effectively; (ii) to substitute for the Pool a full-scale Industrial Management Service; and (iii) to abandon the idea of a common pool or service as such for all public undertakings.

(10.10) In some ways it would be proper to say that the scheme has not been given a fair trial. The initial recruitment was faulty in that no attempt was made to recruit persons against the actual requirements of the undertakings. That was the basic reason of all the later difficulties about absorption of selected candidates. The lack of co-operation from the enterprises and the resulting reluctance of the Controlling Authority of the Pool to pursue the other provisions of the Pool so as to keep the scheme active can be said to be the basic reasons for the feelings of apprehension and dissatisfaction that prevail among I.M.P. officers. Therefore it has sometimes been suggested that the scheme should be given a further and more fair trial.

(10.11) Our examination of the scheme however shows that the difficulties faced by the scheme have been not only due to the faults in operation but also due to some of its basic features. The provision that the enterprises can neither demand an officer from the Pool nor be compelled to accept one for a vacancy in their personnel makes the task of the Controlling Authority an almost impossible one. A scheme of this type can only work if the Controlling Authority has both the responsibility and the authority to recruit, post, transfer, train, develop and promote most of the managerial officers in the undertakings. If this is to be effectively

done, the scheme will have to be modified and an Industrial Management Service established in its place.

(10.12) We have already dealt extensively with the problem of constituting such a service earlier in our study. It is not necessary therefore to go into the merits and demerits of this course. Our conclusion in this respect is that it would not be desirable to organise such a service. The recruitment, training and development of all personnel (except those in highest levels of management) should be left to the managements of the undertakings. The Government should only lay down the broad policies regarding remuneration, recruitment, promotion and grievance procedure. The execution of the policies should be left to the undertakings subject to certain safeguards that we have indicated earlier. In formulating these basic policies, modern business organisations, in India and abroad, should be accepted as providing better guidance than the Civil Service. It needs to be specifically accepted that the nature of service in public undertakings has got to be different in many respects from that in the Civil Service.

(10.13) We have already referred earlier to the special problems that small independent units in the public sector are likely to face when there is no common service or pool of officers; we have indicated there the steps that could be taken to meet these difficulties. We have suggested also that movement from one public sector undertaking to another should not be unduly restricted and that in case of movement which is not objectionable, arrangements should be made for the officer being able to enjoy most of the benefits of uninterrupted service.

(10.14) Further, as we have suggested earlier, it will be worth while to prepare panels (ministrywise for posts like Deputy General Managers, etc. and for the public sector as a whole for still higher posts) of senior persons available for appointments to top level managerial positions in public undertakings. This will be of use to Government because at this level, Government has a considerable responsibility in making appointments. It is to be expected that increasingly these appointments will go to persons with experience

of industry and business. While a certain proportion of top level appointments may go to persons who have risen up in the same enterprise, a certain number will have to be moved to other enterprises, either because they are required to fill a gap in the talent available in the other enterprise or for introducing an element of cross-fertilisation. The panels may include senior and talented officers from public sector undertakings as well as any others who are considered suitable for such senior managerial appointments.

*Future Policy about the Pool :*

(10.15) As mentioned earlier, by not undertaking any fresh recruitment to the Pool, the Government has already indicated its doubts about the continuance of the scheme. It would be better now formally to abandon any idea of further recruitment to the Pool. The problem of the existing officers in the Pool will not fortunately prove to be very complicated because of the comparatively small number that actually joined the Pool and still continue with it. They may be given the option of continuing to enjoy the status of Government servants on deputation with public undertakings or of getting absorbed in the service of the undertakings which they are serving. It is quite likely that the more competent and qualified among these officers will find their chances of promotion improved if they are in the service of an undertaking. The loss of pensionable service in the I.M.P. could be compensated by retrospectively treating their service as on Contributory Provident Fund basis.<sup>49</sup>

*Autonomy for Efficiency :*

(10.16) We realise that the approach that we have suggested is in no sense perfect. But in the situation faced by the public sector today, this would probably provide the best solution of the problem. The public sector needs to succeed because of its vital importance in our plans of

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49. This is now the accepted policy of Government regarding Government servants who join the service of a corporate public undertaking on a permanent basis; *vide* Government of India, Ministry of Finance, O.M. no. F.2 (33)—EVA/60, dated the 10th November, 1960.

economic development. At the same time, the Government has accepted the idea of a mixed economy. There is bound to be competition for good talent, if not in other respects, between the two sectors, and in order to obtain its due share of it, the public sector must adopt policies regarding personnel which enable public sector undertakings to attract, develop, retain and obtain the best performance out of talented personnel.

(10.17) For the success of a business undertaking, whether in the public or private sectors, it is essential that its higher management should have largely a free hand in selecting and developing their personnel. Only when such an authority is granted to them, can they be held responsible—and only then will they feel fully responsible—for the success of the undertaking. That is an important reason why the idea of setting up a management service as a Government service common to all undertakings should be given up and the enterprises should remain largely autonomous in their personnel programmes. We are happy to note that the Planning Commission has indicated its general support to such an approach.<sup>50</sup>

### *Main Conclusions:*

(10.18) Our main conclusions for future policy are therefore as follows:

(1) The Industrial Management Pool, in its present form, need not be continued; the officers recruited to it should be gradually absorbed in the service of various public enterprises.

(2) The responsibility for recruiting, training, developing and promoting managerial personnel (except that at higher levels) should be squarely placed on the top-managements of the undertakings. Managerial talent

50. See Chapter XVI—'Organisation of Public Enterprises', in the *Third Five Year Plan, op. cit.*, especially para.s 15, 16, 28 and 29. "The General Manager should have enough supporting management staff to provide adequate control, supervision, direction and training for all employees. This staff should be selected and appointed by the General Manager, subject to Board approval, and should be responsible only to him or to some one authorised by him."—(para. 28).



wherever available, among technical or non-technical personnel, should be located, developed and effectively utilised.

(3) The procedures for recruitment and promotions and the basic plans for salary and other types of remuneration should be laid down by Government. These should be modelled mainly on business practice and not on that in the civil service.

(4) Movement of the personnel between public undertakings should not be unduly prevented; 'approved' movement within the public sector should enable a person to enjoy the benefits of continuous service.

(5) For appointments at higher levels, personnel from different public undertakings should be considered as forming a common pool. Panels of suitable officers should be prepared for *informal* use by Government in making appointments at these levels in public undertakings. Once officers reach this level, their development, promotions and postings should be the responsibility of Government.

APPENDIX A  
(REF. : CHAPTER IV)

SOME CASES OF NON-ACCEPTANCE  
OF OFFER

(1) I.A.S. officer; was officiating in a post in the scale of Rs. 1,800-2,200 on Rs. 1,900; was offered Grade V (Rs. 1,300-1,600); the I.M.P. Recruitment Board had recommended that he *may be* considered for Grade IV (Rs. 1,600-2,000), if necessary, but this was ignored as per general policy.

(2) I.A.S. officer; recruited to I.A.S. in 1957 (special recruitment); in senior scale with special pay of Rs. 150; was offered Grade VII (Rs. 600-1,000).

(3) I.A.S. officer; in senior scale with special pay; was offered Grade VI (Rs. 1,000-1,400).

(4) Government officer; at the time of selection holding a post in a public undertaking on Rs. 1,600-2,000; was promoted in March 1959 to a post in a Government department on Rs. 2,000-2,250; was offered Grade IV (Rs. 1,600-2,000).

(5) Government officer in the scale of Rs. 1,100-1,800; was offered Grade V (Rs. 1,300-1,600).

(6) Government officer; was collector of a district at the time of selection; was Director of Industries of a State when he was offered a post in Grade V (Rs. 1,300-1,600).

(7) Government officer; held a post in the scale of Rs. 600-1,000 at the time of selection; was taken up in a semi-Government organisation on Rs. 1,000-1,500 and was drawing Rs. 1,100 at the time of the offer which was for a post in Grade VII (Rs. 600-1,000).

(8) Government officer; was Finance Manager in a public undertaking on Rs. 1,800-2,000 at the time of selection; was working as Financial Adviser to another public undertaking on Rs. 2,000-2,250 at the time of the offer which was for a post in Grade IV (Rs. 1,600-2,000).

(9) Government officer on deputation with a public undertaking on Grade pay+deputation allowance which came to Rs. 1,776; was offered a post in Grade IV on minimum of scale (Rs. 1,600) as deputation allowance could not be protected.

(10) Government officer on deputation with a public undertaking and allowed to draw the pay of Finance Manager there

(Rs. 1,800-2,000); was offered a post in Grade IV at minimum of scale (Rs. 1,600) as only his substantive pay could be protected.

(11) Government officer; at the time of selection, he was holding substantively a post with the scale of Rs. 600-1,200 and was officiating in a post with the scale of Rs. 800-1,500; selected for I.A.S. in 1957 in senior scale; was offered a post in Grade VI (Rs. 1,000-1,400).

(12) The I.M.P. Recruitment Board recommended him for appointment on Rs. 800 in Grade VII; but in the meanwhile he was selected for I.A.S. and joined on a salary lower than Rs. 600; so appointing authority could only offer minimum of Grade VII, *i.e.*, Rs. 600.

(13) The I.M.P. Recruitment Board recommended him for appointment in Grade VII; but before offer was made, he was selected by the U.P.S.C. for a post in a public undertaking in the scale of Rs. 1,000-1,400.

(14) Person in private business; selected for Grade V on Rs. 1,540; claimed that since June 1958 when he was interviewed, his income had increased fourfold and that he paid income tax of Rs. 16,000 in 1958-59.

(15) Employee in private undertaking (foreign-owned); requested higher starting salary on the ground that he was already receiving higher pay; Government wanted his existing employer to certify his statement; they replied that it was not their practice to disclose the pay of an employee; then he produced some indirect evidence; but Government refused to grant the higher pay.

(16) Person in private business service; recommendation about his salary seems to be related to his main source of income—this service; but he was also serving as a part-time teacher in a commercial training institution. This part of his income was also substantial. Total income was higher than the offer in I.M.P.

APPENDIX B

ALLOCATION OF I.M.P. OFFICERS

(As on October 15, 1962)

<i>Ministry/ Department Grade</i>	<i>Undertaking/ Organization</i>	<i>Post held</i>
1. <i>Department of Transport :</i>		
(1) Grade II	Inter-State Transport Commission.	Chairman.
(2) Grade V	Hindustan Shipyard.	Maintenance Engineer.
(3) -do-	Shipping Corporation.	Dy. Commercial and Traffic Manager.
2. <i>Department of Heavy Industries :</i>		
(4) Grade II	Praga Tools Corporation.	Managing Director.
(5) Grade III	Heavy Engineering Corporation.	Chief Project Officer, Foundry Forge.
(6) Grade IV	Fertilizer Corporation.	Officer on Special Duty, Nangal Unit.
(7) -do-	-do-	Project Officer, Sindri Unit.
(8) Grade V	Heavy Electricals	Senior Cost Accounts Officer.
(9) -do-	Heavy Engineering Corporation.	Superintendent, Transport.
(10) -do-	-do-	Public Relations Officer.
(11) -do-	-do-	Dy. Chief Accounts Officer.
(12) -do-	-do-	Dy. Chief Accounts Officer.
(13) -do-	Heavy Machine Tools Project.	Officer on Special Duty.
(14) Grade VI	Fertilizer Corporation.	Personnel Officer.
(15) -do-	-do-	Secretary.

(16)	Grade VI	Fertilizer Corporation.	Controller of Accounts, Sindri Unit.
(17)	-do-	Heavy Engineering Corporation.	Planning Officer.
(18)	-do-	-do-	Dy. Superintendent (Personnel).
(19)	-do-	Praga Tools Corporation.	Commercial Manager.
(20)	Grade VII	Heavy Engineering Corporation.	Superintendent, Transport.
(21)	-do-	-do-	Planning Officer.
(22)	-do-	-do-	Assistant Superintendent (Personnel).
(23)	-do-	Praga Tools Corporation.	Methods Engineer.
(24)	-do-	-do-	Industrial Engineer.
(25)	-do-	-do-	Administrative Officer.

3. *Ministry of Commerce and Industry:*

(26)	Grade II	National Industrial Development Corporation.	Managing Director.
(27)	Grade III	National Instruments.	Managing Director.
(28)	-do-	NEPA Mills.	Dy. Managing Director & Secretary to Board of Directors.
(29)	Grade IV	Pyrites & Chemicals Development Corporation.	Works Manager.
(30)	-do-	National Small Industries Corporation.	General Manager.
(31)	-do-	State Trading Corporation.	Joint Divisional Manager.
(32)	-do-	Precision Instruments Project.	Officer on Special Duty.
(33)	Grade V	Indian Handicrafts Development Corporation.	Managing Director.

(34)	Grade V	Fertilizer Corporation.	Chief Personnel Officer.
(35)	-do-	State Trading Corporation.	Joint Divisional Manager.
(36)	-do-	Indian Drugs and Pharmaceuticals.	Works Manager.
(37)	Grade VI	National Small Industries Corporation.	Dy. Manager (Admn.).
(38)	-do-	Hindustan Insecticides.	Financial Controller and Accounts Officer.
(39)	-do-	State Trading Corporation.	Joint Divisional Manager.
(40)	-do-	Photo Films Manufacturing Co.	Project Officer.
(41)	Grade VII	State Trading Corporation.	Dy. Divisional Manager.
(42)	-do-	-do-	Dy. Manager.
(43)	-do-	-do-	Dy. Divisional Manager.
(44)	-do-	-do-	Dy. Divisional Manager.
(45)	-do-	Hindustan Cables.	Chief Accountant.
(46)	-do-	Hindustan Insecticides.	Administrative Officer.
(47)	-do-	-do-	Administrative Officer.
(48)	-do-	National Small Industries Corporation.	Dy. Manager.
(49)	-do-	-do-	Branch Manager.
(50)	-do-	Hindustan Salt.	Secretary.

4. *Department of Iron and Steel :*

(51)	Grade II	Hindustan Steel (This officer is officiating in Gr.I.).	General Manager, Rourkela Unit.
(52)	Grade III	Hindustan Steel.	Senior Dy. General Manager, Rourkela Unit.
(53)	-do-	-do-	Senior Dy. General Manager, Bhilai Unit.

(54) Grade IV	Hindustan Steel.	Secretary.
(55) -do-	-do-	Chief, Industrial Management and Productivity Divn.
(56) -do-	-do-	Chief, Production Divn.
(57) -do-	-do-	Controller of Stores, Rourkela Unit.
(58) -do-	-do-	Dy. General Manager, Durgapur Unit.
(59) Grade V	Hindustan Steel.	Dy. Sales Manager.
(60) -do-	-do-	Dy. General Manager, Rourkela Unit.
(61) -do-	-do-	Chief Sales Manager.
(62) -do-	-do-	Dy. Financial Adviser and Chief Accounts Officer.
(63) Grade VI	Hindustan Steel.	Senior Industrial Engineer, Bhilai Unit.
(64) -do-	-do-	Senior Stores Officer Durgapur Unit.
(65) -do-	-do-	(Not known).
(66) -do-	-do-	Asstt. Sales Manager, Bhilai Unit.
(67) -do-	-do-	Joint Controller of Purchase, Durgapur Unit.
(68) -do-	-do-	Asstt. Sales Manager.
(69) -do-	-do-	Asstt. Sales Manager.
(70) -do-	-do-	Junior Dy. Controller of Accounts, Bhilai Unit.
(71) -do-	-do-	Dy. Controller of Accounts, Bhilai Unit.
(72) -do-	-do-	Senior Purchase Officer, Durgapur Unit.
(73) Grade VII	Hindustan Steel.	Asstt. Controller of Accounts.
(74) -do-	-do-	Purchase Officer, Durgapur Unit.

(75)	Grade VII	Hindustan Steel.	Asstt. Coal Adviser.
(76)	-do-	-do-	Senior Labour Officer, Bhilai Unit.
(77)	-do-	-do-	Cost Accounts Officer, Durgapur Unit.
(78)	-do-	-do-	Senior Personnel Officer.
(79)	-do-	-do-	Senior Labour Wel- fare Officer.
(80)	-do-	-do-	Stores Officer, Durgapur Unit.
(81)	-do-	-do-	Personnel Officer, Bhilai Unit.
(82)	-do-	-do-	Personnel Officer, Durgapur Unit.
(83)	-do-	-do-	Chief of Division, Durgapur Unit.
(84)	-do-	-do-	Personnel Officer, Alloy Steels Plant.
(85)	-do-	-do-	Dy. Chief of Division.
(86)	-do-	-do-	Dy. Chief of Division.

5. *Ministry of Defence :*

(87)	Grade IV	Bharat Electronics.	Dy. General Manager.
(88)	-do-	Heavy Vehicles Factory.	General Manager.
(89)	Grade VI	Ministry of Defence Secretariat.	Officer on Special Duty.

6. *Department of Communications and Civil Aviation :*

(90)	Grade IV	Indian Airlines Corporation.	Chief Audit Officer.
(91)	-do-	Air-India International.	Commercial Mana- ger (Sales).
(92)	Grade V	Indian Airlines Corporation.	Chief Accounts Officer.
(93)	Grade VI	Air-India International.	Manager, Traffic Ests.
(94)	-do-	Indian Airlines Corporation.	Secretary, Labour Relations Committee.



(95) Grade VII Air-India  
International.

Station Superinten-  
dent, Bombay.

7. *Ministry of Mines and Fuel :* \*

(96) Grade IV Oil and Natural Gas  
Commission.

Controller of Stores  
and Purchases.

(97) -do- National Mineral  
Development  
Corporation.

Mining Engineer.

(98) -do- National Coal  
Development  
Corporation.

Chief Accounts  
Officer and Dy.  
Financial Con-  
troller.

(99) -do- -do-

Chief Sales Officer.

(100) Grade V J & K Minerals.

Chief Project Officer.

(101) -do- National Coal Deve-  
lopment Corpora-  
tion.

Chief Sales Officer.

(102) Grade VI Indian Refineries.

Controller of  
Purchase.

(103) -do- -do-

Secretary.

(104) -do- -do-

Chief Personnel  
Officer.

(105) -do- National Coal  
Development  
Corporation.

Cost Accounts  
Officer.

(106) -do- -do-

Dy. Chief Purchase  
Officer.

(107) Grade VII Indian Refineries.

Accounts Officer.

(108) -do- -do-

Personnel Officer.

(109) -do- National Coal  
Development  
Corporation.

Senior Accounts  
Officer.

(110) -do- -do-

Controller of Stores.

(111) -do- -do-

Dy. Controller of  
Stores.

(112) -do- National Mineral  
Development  
Corporation.

Dy. Finance and  
Accounts Officer.

8. *Department of Food :*

(113) Grade V Directorate of Sugar  
and Vanaspati.

Officer on Special  
Duty.

9. *Department of Rehabilitation :*

(114) Grade VII Dandakaranya Project Industrial Officer.

10. *Ministry of Works, Housing and Supply :*

(115) Grade IV India Supply Mission, Director.  
Washington.

